

CAMBODIAN ENTREPRENEUR BUILDING LTD.

(Incorporated in the Kingdom of Cambodia)

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2004**

CAMBODIAN ENTREPRENEUR BUILDING LTD.

(Incorporated in the Kingdom of Cambodia)

Financial statements for the year ended 31 December 2004

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STATEMENT BY THE BOARD OF DIRECTORS

We, the undersigned, being two of the directors of Cambodian Entrepreneur Building Ltd., do hereby state that in our opinion:

- i) The results of the operations of the Company for the financial year ended 31 December 2004 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the financial year and the date of this report, and
- ii) the accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of the results of its operations and cash flows for the year ended on that date, in compliance with the National Bank of Cambodia's guidelines and the accounting policies set out in the notes to the financial statements.

Signed on behalf of the Board by:

Bun Mony
Chairman

Pech Sany
Director

Date: 04 April 2005

REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF CAMBODIAN ENTREPRENEUR BUILDING LTD.

We have audited the accompanying financial statements of Cambodian Entrepreneur Building Ltd. (“the Company”), which have been prepared in accordance with the accounting policies set out in the notes to financial statements. These financial statements are 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 auditing standards generally accepted in the Kingdom of Cambodia and the requirements of the National Bank of Cambodia (“NBC”). Those principles 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of the results of its operations and its cash flows for the year then ended, in accordance with the NBC’s guidelines and the accounting policies set out in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, attention is drawn to note 15 to the financial statements. The Company has resolved to capitalize the interim retained earnings as at 31 October 2004 amounting to USD 73,233. This capitalization was acknowledged in principle by the National Bank of Cambodia.

Saksom Meas
Managing Partner

Morison Kak & Associés
Certified Public Accountants
Registered Auditors

Date: 04 April 2005

BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	31-Dec-04		31-Dec-03
		USD	KHR'000	USD
ASSETS				(As restated)
Cash in hand	4	87,463	352,214	93,895
Balances with banks and other financial institutions	5	442,400	1,781,545	5,493
Statutory deposits with central bank	6	18,600	74,902	18,600
Loans and advances to customers	7	3,659,114	14,735,252	1,905,689
Other assets	8	33,526	135,009	62,830
Property and equipment	9	66,319	267,066	70,191
TOTAL ASSETS		4,307,422	17,345,988	2,156,698
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from customers	10	181,182	729,620	115,368
Short-term borrowings	11	550,000	2,214,850	975,000
Other liabilities	12	209,504	843,673	33,110
Provision for income tax	13	21,677	87,292	1,499
TOTAL LIABILITIES		962,363	3,875,435	1,124,977
LONG TERM BORROWINGS	14	2,175,000	8,758,725	400,000
SHAREHOLDERS' FUNDS				
Share capital	15	1,158,470	4,665,159	372,000
Subordinated debt	16	-	-	256,587
Accumulated profits/(losses)		11,589	46,669	3,134
TOTAL SHAREHOLDERS' FUNDS		1,170,059	4,711,828	631,721
TOTAL LIABILITIES AND EQUITY		4,307,422	17,345,988	2,156,698

Signed and authorised for release on behalf of the Board

Bun Mony
Chairman
Date: 04 April 2005

Pech Sany
Director
Date: 04 April 2005

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2004**

STATEMENT OF INCOME	Note	31-Dec-04		31-Dec-03
		USD	KHR'000	USD
				(As restated)
Interest income	17	908,789	3,659,693	559,522
Interest expense	18	(198,131)	(797,874)	(115,356)
Net interest income		710,658	2,861,819	444,166
Non interest income	19	32,301	130,076	26,861
Payroll and other staff costs		(360,792)	(1,452,909)	(282,187)
Depreciation expense		(33,461)	(134,747)	(29,270)
Other operating expenses	20	(213,064)	(858,009)	(135,757)
Operating profit before provision for impairment		135,642	546,230	23,813
Provision for impairment losses	7	(23,835)	(95,984)	(14,904)
Profit before income tax		111,807	450,246	8,909
Income tax expense	21	(30,119)	(121,289)	(5,775)
Net income for the year		81,688	328,957	3,134
STATEMENT OF RETAINED EARNINGS				
Unappropriated profits at beginning of year		3,134	12,621	-
Net income for the year		81,688	328,958	3,134
Capitalisation of interim profits		(73,233)	(294,909)	-
Unappropriated profits at end of year		11,589	46,670	3,134

Signed and authorised for release on behalf of the Board

Bun Mony
Chairman
Date: 04 April 2005

Pech Sany
Director
Date: 04 April 2005

The accompanying notes form an integral part of these financial statements.

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

	Note	Share capital USD	Fund balance/ Subordi- nated debt USD	Retained earnings USD	Total USD
Balance as at 1 January 2003 (as CCB)		-	578,787	-	578,787
Capitalisation of fund balance		322,200	(322,200)	-	-
Proceeds from issue of shares		49,800	-	-	49,800
Balance as at 19 February 2003 (as CEB)		372,000	256,587	-	628,587
Net profit for the year 2003		-	-	3,134	3,134
Balance as at 31 December 2003		372,000	256,587	3,134	631,721
Net profit for the period from 01 January to 31 October 2004		-	-	70,099	70,099
Balance as at 1 November 2004		372,000	256,587	73,233	701,820
Capitalisation of interim profits as share capital		73,233	-	(73,233)	-
Capitalisation of fund balance		213,237	(213,237)	-	-
Write-off of 2002 interests receivable	16	-	(43,350)	-	(43,350)
Proceeds from issue of shares- (ShoreCap)		500,000	-	-	500,000
Net profit for the period from 01 November to 31 December 2004		-	-	11,589	11,589
Balance as at 31 December 2004		1,158,470	0	11,589	1,170,059
Balance as at 31 December 2004 <i>(KHR' 000 equivalents)</i>		4,665,159	0	46,669	4,711,828

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2004

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Cash flows from operating activities			
Profit before income tax	111,807	450,247	8,909
Adjustments for:			
Depreciation of property and equipment	33,461	134,747	29,270
Provision for impairment losses	23,835	95,984	14,904
Gain on disposal of property and equipment	-	-	(3,718)
Operating profit before changes in working capital	169,103	680,978	49,365
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances	(1,777,260)	(7,157,026)	(524,434)
Statutory deposits	-	-	(18,600)
Other assets	(14,046)	(56,561)	(10,410)
Deposits from customers	65,814	265,033	9,166
Other liabilities	176,394	710,336	(41,245)
Provision for income tax	20,178	81,256	1,499
Cash generated from / (used in) operations	(1,359,817)	(5,475,984)	(534,659)
Income tax expense	(30,119)	(121,289)	(5,775)
Net cash used in operating activities	(1,389,936)	(5,597,273)	(540,434)
Cash flows from investing activities			
Purchases of property and equipment	(29,589)	(119,155)	(31,267)
Proceeds from disposals of property and equipment	-	-	10,461
Net cash used in investing activities	(29,589)	(119,155)	(20,806)
Cash flows from financing activities			
Proceeds from issue of shares	500,000	2,013,500	49,800
Proceeds/(repayments) of short-term borrowings	(425,000)	(1,711,475)	182,278
Proceeds from long-term borrowings	1,775,000	7,147,925	400,000
Net cash generated from financing activities	1,850,000	7,449,950	632,078
Net changes in cash and cash equivalents	430,475	1,733,522	70,838
Cash and cash equivalents at beginning of year	99,388	400,235	28,550
Cash and cash equivalents at end of year	529,863	2,133,757	99,388

(Continued)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2004
(CONTINUED)**

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
<i>Represented by:</i>			
Cash in hand	87,463	352,213	93,895
Balances with banks inside Cambodia	<u>442,400</u>	<u>1,781,544</u>	<u>5,493</u>
	<u>529,863</u>	<u>2,133,757</u>	<u>99,388</u>
	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
<i>Schedule of non-cash transactions:</i>			
Capitalization of subordinated debt	213,237	858,705	-
Write-off interests receivable against subordinated debt	43,350	174,570	-

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1. Principal activities

Cambodian Entrepreneur Building Ltd. (“the Company” or “CEB”), formerly known as Cambodia Community Building (“CCB”), is engaged in the provision of micro financing activities in five branches located in Phnom Penh, Kandal, Kompong Cham, Kompong Thom and Siem Reap provinces.

The Company was incorporated with the Ministry of Commerce on 19 February 2003 as a result of the Memorandum and Articles of Association signed on 27 December 2002 between CCB, a local NGO established in 1996, and CEB staff. The Company obtained its licence from the National Bank of Cambodia to operate as a micro finance institution on 23 April 2003. Under the micro finance licence, the Company is authorised to grant credit and saving services for poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

CEB’s vision is to empower entrepreneurial poor women in urban and rural areas to develop their income-generating activities and micro enterprises through access to micro-financing services, including credit and savings, at reasonable rates.

The registered office is located in Phnom Penh at No.21, Street 113 and as at 31 December 2004, the Company has 134 employees (31 December 2003: 115 employees).

2. Basis of preparation

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the NBC, accounting principles generally accepted in the Kingdom of Cambodia and practices within the Micro-finance industry. Those principles require that financial instruments be carried at cost less provision for impairment. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The presentation of financial statements in conformity with accounting principles generally accepted in the Kingdom of Cambodia requires the Management to make the best estimates and reasonable assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on the information available as of the date of the financial statements. Actual results, therefore, could differ from those estimates.

2. Basis of preparation (continued)

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts essentially in US Dollar (“USD”) and maintains its books of accounts primarily in USD, the Management has determined the USD to be the Company’s measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the year are converted into thousand Khmer Riel (KHR’000) using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 4,027 KHR (31 December 2003: KHR 3,976). Such conversions should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into USD at this or any other rate of exchange.

Certain comparative figures have been reclassified or restated whenever necessary to accord with current year presentation.

3. Significant accounting policies

3.1 Transactions in foreign currency

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported on a net basis in the statement of income.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and short-term funds which is convertible in cash within one month.

3.3 Statutory deposits with central bank

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Bank day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.4 Loans and advances to customers

Loans originated by the Company by providing money directly to the borrowers are categorised as loans and advances and are carried at cost, less provisions for impairment.

3. Significant accounting policies (continued)

3.5 Provision for loan impairment

Provision for loan impairment is based on the latest NBC guidelines and is made with regard to specific risks on loans individually reviewed and classified as substandard, doubtful or loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and level of provisioning:

Classification	Overdue	Rate of provision
Substandard	- More than thirty days	10%
Doubtful	- 60 days and more (original term of up to one year) - 180 days or more (original term of more than one year)	30%
Loss	- 90 days and more (original term of up to one year) - 360 days or more (original term of more than one year)	100%

Exception on the above provision rate may be considered but this is conditional on the actual market value of the collateral having been deemed acceptable by the NBC on a case-by-case basis.

3.6 Recognition of income and expense

Interest income earned on loans is recognised on a cash basis after offsetting “Loans Incentive Expenses” granted to borrowers for good performing loans upon their settlement.

Expenses are recognised when incurred.

3.7 Recognition of interest and fee expenses

Interest expense on deposits from borrowers is recognised on a cash basis.

3.8 Property and equipment

Property and equipment is stated at cost less accumulated depreciation.

In 2003, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets at the following rates per annum:

Furniture and fixtures	12-20%
Computer and office equipment	20-33%
Motor vehicles	33%

In 2004, the Company adopted the provision of the new Article 13 of the Law on Taxation which allows the following rates and methods of depreciation:

Office equipment, furniture and fixtures- declining	25%
Computer and electronic data storage and processing- declining	50%
Motor vehicles- declining	25%

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

3. Significant accounting policies (continued)

3.9 Other provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

3.10 Income tax

Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

Provision is made, where material, for deferred taxation in respect of timing difference arising from the recognition of items of income and expenditure in the financial statements on bases different from that used for taxation purposes.

3.11 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Under the LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Company.

4. Cash in hand

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Petty cash in Phnom Penh (Khmer Riels)	3,570	14,376	1,360
Petty cash in Phnom Penh (USD)	6,613	26,631	38,782
Petty cash in central office (Khmer Riels)	208	838	85
Petty cash in central office (USD)	12,464	50,193	6,288
Petty cash in Kandal (Khmer Riels)	1,859	7,486	5,881
Petty cash in Kandal (USD)	7,521	30,287	12,353
Petty cash in Kompong Cham (Khmer Riels)	3,842	15,472	200
Petty cash in Kompong Cham (USD)	18,304	73,710	10,235
Petty cash in Kompong Thom (Khmer Riels)	3,637	14,646	2,632
Petty cash in Kompong Thom (USD)	13,740	55,331	3,774
Petty cash in Siem Reap (Khmer Riels)	2,583	10,402	3,319
Petty cash in Siem Reap (USD)	13,122	52,842	8,986
	87,463	352,214	93,895

5. Balances with banks and other financial institutions

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Acleda Bank	427,894	1,723,129	50
Rural Development Bank (USD)	13,157	52,983	2,055
Rural Development Bank (Khmer Riels)	163	656	161
Canadia Bank Phnom Penh (Khmer Riels)	107	431	127
Canadia Bank Phnom Penh (USD)	62	250	71
Canadia Bank Phnom Penh (USD)	245	987	2,246
Canadia Bank Siem Reap (Khmer Riels)	165	664	213
Canadia Bank Siem Reap (USD)	107	431	70
Deposit for credit card - Canadia Bank	500	2,014	500
	442,400	1,781,545	5,493

6. Statutory deposits central bank

The Company is required to maintain a statutory deposit of five per cent of its capital to comply with the NBC's *Prakas* No.B 7-00-06 dated 11 January 2000 and *Prakas* No. B 7-02-45 dated 25 February 2002. No interest is earned on this statutory deposit. As at 31 December 2004, there is a shortfall amounting to USD 39,324 in the Company's statutory capital deposit.

7. Loans and advances to customers

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Loans to customers	3,702,783	14,911,107	1,935,337
Write off during the year	-	-	(9,814)
	3,702,783	14,911,107	1,925,523
Provision for impairment losses:			
Specific	(20,405)	(82,171)	(19,736)
General	(23,264)	(93,684)	(98)
	3,659,114	14,735,252	1,905,689

Movements on provisions for impairment losses are as follows:

At beginning of year	19,834	79,477	14,744
Charge during the year- specific	669	2,694	14,806
Charge during the year- general	23,166	93,289	98
Write off during the year	-	-	(9,814)
	43,669	175,855	19,834

7. Loans and advances to customers (continued)

Further classification is as follows:	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Standard loans:			
- Secured	3,662,666	14,749,556	1,896,842
- Unsecured	-	-	-
Sub-standard loans:			
- Secured	14,596	58,778	7,976
- Unsecured	-	-	-
Doubtful loans:			
- Secured	9,394	37,830	2,667
- Unsecured	-	-	-
Loss loans:			
- Secured	16,127	64,943	18,038
- Unsecured	-	-	-
	<u>3,702,783</u>	<u>14,911,107</u>	<u>1,925,523</u>

Further analysis of the above loans is provided below:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
(a) By maturity period:			
Within six months	-	-	10,305
Seven to twelve months	2,368,483	9,537,881	1,639,264
One to two years	1,334,300	5,373,226	275,954
	<u>3,702,783</u>	<u>14,911,107</u>	<u>1,925,523</u>
(b) By security:			
Secured	<u>3,702,783</u>	<u>14,911,107</u>	<u>1,925,523</u>
(c) By currency denomination:			
US Dollar	3,411,416	13,737,772	1,698,196
Khmer Riel	291,367	1,173,335	227,327
	<u>3,702,783</u>	<u>14,911,107</u>	<u>1,925,523</u>
(d) By status of residence:			
Residents	<u>3,702,783</u>	<u>14,911,107</u>	<u>1,925,523</u>

7. Loans and advances to customers (continued)

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
(e) By relationship:			
Non related parties	3,702,783	14,911,107	1,925,523
(f) By sectors:			
Small trade and commerce	1,226,936	4,940,871	768,877
Services	1,225,747	4,936,083	504,235
Agriculture	745,558	3,002,362	394,849
Building and construction	146,796	591,147	113,262
Others	357,746	1,440,643	144,300
	<u>3,702,783</u>	<u>14,911,107</u>	<u>1,925,523</u>
(g) By large exposures:			
Non large exposures	<u>3,702,783</u>	<u>14,911,107</u>	<u>1,925,523</u>

8. Other debtors, deposits and prepayments

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Prepayments	30,337	122,167	18,180
Other debtors	2,987	12,029	950
Guarantee deposit on telephone	200	805	200
Advance to staff	2	8	150
Interests receivable (Note 16)	-	-	43,350
	<u>33,526</u>	<u>135,009</u>	<u>62,830</u>

(Continued)

9. Property and equipment

	Furniture and fittings	Office equipment & computers	Motor vehicles	Total
	USD	USD	USD	USD
Cost				
At 1 January 2004	18,236	32,136	85,970	136,342
Additions	7,259	17,175	5,155	29,589
At 31 December 2004	<u>25,495</u>	<u>49,311</u>	<u>91,125</u>	<u>165,931</u>
Accumulated depreciation				
At 1 January 2004	7,905	15,252	42,994	66,151
Charges for the year	4,400	17,029	12,032	33,461
Adjustments	(80)	182	(102)	-
At 31 December 2004	<u>12,225</u>	<u>32,463</u>	<u>54,924</u>	<u>99,612</u>
Net book value				
At 31 December 2004	<u>13,270</u>	<u>16,848</u>	<u>36,201</u>	<u>66,319</u>
At 31 December 2003	<u>10,331</u>	<u>16,884</u>	<u>42,976</u>	<u>70,191</u>
Charge for the year 2003	<u>3,048</u>	<u>5,094</u>	<u>21,128</u>	<u>29,270</u>

(Continued)

CAMBODIAN ENTREPRENEUR BUILDING LTD., 31 DECEMBER 2004
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

9. Property and equipment (continued)

Equivalent in KHR	Furniture and fittings	Office equipment & computers	Motor vehicles	Total
	KHR'000	KHR'000	KHR'000	KHR'000
Cost				
At 1 January 2004	73,436	129,412	346,201	549,049
Additions	29,232	69,164	20,759	119,155
At 31 December 2004	<u>102,668</u>	<u>198,575</u>	<u>366,960</u>	<u>668,204</u>
Accumulated depreciation				
At 1 January 2004	31,833	61,420	173,137	266,390
Charge for the year	17,718	68,576	48,452	134,746
Adjustments	(322)	734	(410)	2
At 31 December 2004	<u>49,229</u>	<u>130,730</u>	<u>221,179</u>	<u>401,138</u>
Net book value				
At 31 December 2004	<u>53,439</u>	<u>67,846</u>	<u>145,782</u>	<u>267,066</u>
At 31 December 2003	<u>41,603</u>	<u>67,992</u>	<u>173,064</u>	<u>282,659</u>
Charge for the year 2003	<u>12,274</u>	<u>20,514</u>	<u>85,082</u>	<u>117,870</u>

10. Deposits from customers

	31-Dec-04 USD	KHR'000	31-Dec-03 USD
Deposits in Khmer Riels	36,843	148,367	36,249
Deposits in US Dollars	144,339	581,253	79,119
	<u>181,182</u>	<u>729,620</u>	<u>115,368</u>

This item represents deposits maintained by customers with borrowings from the Company (compulsory deposits).

11. Short-term borrowings

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
RDB loan	350,000	1,409,450	800,000
ADB loan through RDB	150,000	604,050	-
IFAD loan through RDB	50,000	201,350	175,000
	550,000	2,214,850	975,000

These represent lines of credit borrowed from the Rural Development Bank (“RDB”) and IFAD through RDB for credit fund purposes at rates ranging from 7% to 8% per annum.

12. Other liabilities

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Staff saving accounts	96,357	388,030	10,214
Accrued expenses	22,854	92,033	2,096
Deferred grant income	60,000	241,620	-
Staff benefits payable	18,329	73,811	14,651
Insurance reserve fund	2,771	11,159	4,123
Other tax liabilities	9,193	37,020	2,026
	209,504	843,673	33,110

13. Provision for income tax

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Balance at 1 January	1,499	6,036	-
Charge during the year	30,119	121,289	5,775
Taxation paid during the year	(9,941)	(40,034)	(4,276)
Balance at 31 December 2004	21,677	87,292	1,499

14. Long-term borrowings

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Triodos Doen	1,200,000	4,832,400	250,000
Oikocredit	500,000	2,013,500	-
Dexia Micro (Blue Orchard) - Credit Fund	225,000	906,075	150,000
ShoreCap International, Ltd.	250,000	1,006,750	-
	2,175,000	8,758,725	400,000

Further analysis is as follows:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
By maturity period:			
Within one to two years	475,000	1,912,825	75,000
Within three to five years	1,700,000	6,845,900	325,000
	2,175,000	8,758,725	400,000

These borrowings bear interests at the following rates per annum:

	31-Dec-04	31-Dec-03
Triodos Doen	9.25% per annum	
Oikocredit	9% per annum	-
Dexia Micro – Credit Fund	7% of 6 month LIBOR for USD	
ShoreCap International, Ltd.	9% per annum	-

15. Share capital

The details of shareholding are as follows:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
115,847 fully contributed shares of USD 10 each:			
Cambodia Community Building - NGO	522,790	2,105,275	300,000
ShoreCap International Limited	500,000	2,013,500	-
CEB Employee Company (CEBEC)	135,680	546,383	72,000
	1,158,470	4,665,159	372,000

As per the Extraordinary Meeting of Shareholders dated 29 November 2004, the shareholders have resolved to increase the paid up capital from USD 372,000 to USD 1,158,470 through a participation of USD 500,000 in share capital from ShoreCap International Limited and by capitalizing CCB-NGO subordinated debt amounting to USD 213,237 and interim retained earnings as at 31 October 2004 amounting to USD 73,233. This capitalization scheme has been approved by the National Bank of Cambodia on 10 January 2005.

16. Subordinated debt

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Opening balance	256,587	1,033,276	578,787
Capitalization	(213,237)	(858,705)	(322,200)
Write-off in relation with 2002 interests receivable	(43,350)	(174,570)	-
	0	0	256,587

The subordinated debt resulted from the transfer of CCB assets, liabilities, equity fund and staff as at 31 December 2002 to the Company. The subordinated loan agreement signed on 31 December 2002 between CCB and the Company stipulated the following terms and conditions:

- Loan amount is USD 256,587,
- Loan term is twenty years,
- Interest charged is 2% per annum,
- Repayment should be made in full at the end of the loan term after twenty year grace period,
- Loan eligibility criteria: the total outstanding amount of the loan should be used in the provision of micro finance services at reasonable rates for entrepreneurial poor women and at least 25% of the outstanding loan should be invested in group loans with an average size per borrower below USD 280,
- Anticipated repayment may be asked should the Company's license be revoked by the National Bank of Cambodia or in the case of forced or voluntary liquidation, or non-compliance with the two loan eligibility criteria stated above.

On 23 February 2004, CCB-NGO Board of Directors has approved the offsetting of accrued interests receivable outstanding with the subordinated loan.

Following the increase in capital resulting from the participation of ShoreCap International Limited, the subordinated loan amounting to USD 213,237 has been capitalized.

17. Interest income

Interest income was made from the following sources:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Loans and advances	907,719	3,655,384	558,724
Interests on bank deposits	1,070	4,309	798
	908,789	3,659,693	559,522

18. Interest expense

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Interest expense is incurred from:			
Deposits from members	7,471	30,086	6,095
Short-term borrowings	63,679	256,435	101,048
Long-term borrowings	126,981	511,352	8,213
	198,131	797,874	115,356

19. Non-interest income

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Loan fees	29,220	117,669	12,890
Other income	3,081	12,407	13,971
	32,301	130,076	26,861

20. Other operating expenses

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
			(As restated)
Office rental	36,744	147,968	22,330
Motor vehicle operating expenses	36,706	147,815	22,930
Bank charges and service fees	22,622	91,099	3,242
Staff training and conference	15,943	64,202	15,970
Other taxes	15,299	61,609	2,209
Other professional and legal fees	3,703	14,912	9,650
Repair and maintenance	5,549	22,346	4,376
Audit fee	3,588	14,449	3,056
Directors' fees and remuneration	961	3,870	-
Loss on foreign exchange	394	1,587	-
Disposals of property and equipment	-	-	6,743
Other expenses	71,555	288,152	45,251
	213,064	858,009	135,757

21. Income tax expense

Under the Cambodian Law on Taxation (“LoT”), the Company has the obligation to pay corporation income tax of either the profit tax at 20% of taxable profit or minimum tax at 1% of total revenue, whichever is higher.

Income tax expense for the year 2004 represents 20% of profit before tax after adjusting for permanent differences relating to items not allowed as deductions for tax purposes. The reconciliation between income tax and profit before tax is computed as follows:

	31-Dec-04	
	USD	KHR'000
Profit before income tax	111,807	450,247
Items not allowed as deductions by the LoT	38,789	156,203
Net taxable profit	150,596	606,450
Income tax at 20% chargeable for the fiscal year	30,119	121,289
Prepaid profit tax paid for the fiscal year	(9,418)	(37,926)
Current year income tax payment due	20,701	83,363

There are no unutilised tax losses or significant deferred tax balances.

22. Significant related party transactions

The following related party transactions are reflected in the accounts for the year:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Borrowings:			
Related party borrowings	250,000	1,006,750	-
Operating expenses:			
Management salaries and 13th month	29,640	119,360	19,695

23. Lease commitments

The Company has lease commitments in respect of the lease of the Company’s registered office and branches in Phnom Penh, Takhmau, Kien Svay, Koh Thom, Kompong Cham, Kompong Thom and Siem Reap. The total remaining rental commitments as at 31 December 2004 are as follows:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
Not later than one year	32,273	129,963	23,780
Later than one year and not later than four years	12,935	52,089	20,940
	45,208	182,053	44,720

FOR THE NATIONAL BANK OF CAMBODIA USE ONLY

**SUPPLEMENTARY FINANCIAL INFORMATION
AND OTHER DISCLOSURES REQUIRED
BY THE NATIONAL BANK OF CAMBODIA**

**Ratio and information contained in this section have been extracted from data contained
in the audited financial statements for the year ended 31 December 2004.**

STATEMENT BY THE BOARD OF DIRECTORS

We, the undersigned, being two of the directors of Cambodian Entrepreneur Building Ltd., do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by *Prakas* of the National Bank of Cambodia are properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2004. Information and data contained herein is the responsibility of the Company's management.

On behalf of Cambodian Entrepreneur Building Ltd.

Bun Mony
Chairman

Pech Sany
Director

Date: 04 April 2005

NET WORTH AS AT 31 DECEMBER 2004

In accordance with the NBC's *Prakas* No. B-700-47 dated 16 February 2000; the Company should maintain a permanent net worth value to at least its paid-up share capital. The Company's net worth as at 31 December 2004 was calculated as follows:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
CATEGORY A ITEMS			
Paid up capital	1,158,470	4,665,159	372,000
Reserves other than re-evaluation reserves	-	-	-
Share premiums	-	-	-
Provision for general banking risks	-	-	-
Current year earnings	11,589	46,671	3,134
Retained earnings	-	-	-
Other items approved by NBC	-	-	-
SUB-TOTAL A	1,170,059	4,711,830	375,134
CATEGORY B ITEMS			
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dates other than year-end	-	-	-
SUB-TOTAL B	0	0	0
C. BASE NET WORTH (A-B)	1,170,059	4,711,830	375,134
CATEGORY D ITEMS			
Revaluation reserves	-	-	-
Subordinated debts	-	-	256,587
Other items approved by the NBC	-	-	-
SUB-TOTAL D	0	0	256,587
CATEGORY E ITEMS			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
SUB-TOTAL E	0	0	0
F. TOTAL NET WORTH (C+D-E)	1,170,059	4,711,830	631,721

LIQUIDITY RATIO AS AT 31 DECEMBER 2004

In accordance with the NBC's *Prakas* No. B 7-00-38 dated 9 February 2000 amended by *Prakas* No. B 7-02-48 dated 25 February 2002; micro-finance institutions are required to calculate a liquidity ratio which should be at least 100%. Details of calculations are shown below:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
A. NUMERATOR			
<i>Debit items:</i>			
Cash and gold	87,463	352,214	93,895
Deposits with the NBC excluding statutory deposits	-	-	-
Deposits with banks	442,400	1,781,545	5,493
Portion of lending to banks and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to one month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	529,863	2,133,758	99,388
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowing from NBC and banks less than one month	-	-	-
Total credit items	-	-	-
TOTAL A. Lender / (Borrower) position	529,863	2,133,758	99,388
B. DENOMINATOR			
Voluntary savings deposits at 25%	-	-	-
TOTAL B	0	0	0
Liquidity ratio (A/B)	Not applicable		

CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2004

In accordance with the NBC's *Prakas* No. B 7-00-06 dated 11 January 2000; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 20 per cent.

	Weighting	31-Dec-04		31-Dec-03
		USD	KHR'000	USD
NUMERATOR				
A. Net worth as at 31 December		<u>1,170,059</u>	<u>4,711,830</u>	<u>631,721</u>
DENOMINATOR				
Cash in hand	0%	-	-	
Deposits with the NBC	0%	-	-	
Claims on banks rated AAA to AA-	20%	-	-	
Claim on banks rated A+ to A-	50%	-	-	
Other assets	100%	<u>4,201,359</u>	<u>14,919,028</u>	<u>2,039,211</u>
B. Total risk-weighted assets		<u>4,201,359</u>	<u>14,919,028</u>	<u>2,039,211</u>
CAPITAL ADEQUACY RATIO (A/B)		<u>28%</u>		<u>31%</u>

LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS

In accordance with the NBC's *Prakas* No. B 7-02-186 dated 13 September 2002; micro-finance institutions shall classify their loan portfolio into four classes defined as standard, substandard, doubtful and loss and record specific provisions regardless of the assets (except cash) lodged as collateral. The loan classification and provision for bad and doubtful debts as at 31 December 2004 are as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
As at 31 December 2004					
Standard	3,662,666	0	-	-	-
Substandard	14,596	10	1,460	1,460	-
Doubtful	9,394	30	2,818	2,818	-
Loss	16,127	100	16,127	16,127	-
	3,702,783		20,405	20,405	0
General provision	-		-	23,264	(23,264)
	3,702,783		20,405	43,669	(23,264)
Equivalent in					
	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	14,749,556	0	-	-	-
Substandard	58,778	10	5,878	5,878	-
Doubtful	37,830	30	11,349	11,349	-
Loss	64,943	100	64,943	64,943	-
	14,911,107		82,170	82,170	0
General provision	-		-	93,684	93,684
	14,911,107		82,170	175,854	93,684
As at 31 December 2003					
	USD	%	USD	USD	USD
Standard	1,896,842	0	-	-	-
Substandard	7,976	10	798	727	(71)
Doubtful	2,667	30	800	677	(123)
Loss	18,038	100	18,038	13,500	(4,538)
	1,925,523		19,636	14,904	(4,732)
General provision	-		-	4,534	4,534
	1,925,523		19,636	19,438	(198)

FOREIGN CURRENCY TRANSACTIONS

In accordance with the NBC's *Prakas* B7-00-50 dated 9 February 2000, financial institutions are required to disclose a summary of assets and liabilities at the balance sheet date in their sources currencies which was as follows:

	31-Dec-04		31-Dec-03
	USD	KHR'000	USD
	or Equivalents	or Equivalents	or Equivalents
Assets:			
US Dollar	3,999,921	16,107,680	1,915,393
Khmer Riel	307,501	1,238,307	241,305
	<u>4,307,422</u>	<u>17,345,987</u>	<u>2,156,698</u>
Liabilities:			
US Dollar	3,100,520	12,485,793	1,488,728
Khmer Riel	36,843	148,367	36,249
	<u>3,137,363</u>	<u>12,634,160</u>	<u>1,524,977</u>

**OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY
THE LAW ON BANKING AND FINANCIAL INSTITUTIONS**

▪ ***Minimum capital (Prakas B7-00-06 dated 11 January 2000)***

The Company's paid-up capital at the balance sheet date is USD 1,158,470 (equivalent to approximately 4,665.16 million Riels).

▪ ***Large exposures***

Under the provisions of *Prakas* No. B7-00-06 dated 11 January 2000, all micro-finance institutions are required to maintain at all times a maximum ratio of 10% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

The Company has no large exposures at the balance sheet date.