



**CAMBODIAN ENTREPRENEUR
BUILDING LIMITED**

Financial Statements
and
Auditors' Report
31 December 2007

Corporate Information

Company	Cambodian Entrepreneur Building Limited
Registration No	Co. 6280/03P
Registered office	No. 40, Street 111, Sangkat Boeung Prolith, Khan Prampi Makara, Phnom Penh Kingdom of Cambodia
Shareholders	Cambodia Community Building - NGO CEB Employee Company Limited ShoreCap International Limited Stichting Triodos-Doen Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (“FMO”)
Board of Directors	Mr. Bun Mony, Chairman Mr. Var Muth, Director Mr. Davis Golding, Director Mr. Eelco Baan, Director Mr. Michael Moormann, Director Mr. Phai Touch, Director Mr. Hun Monivann, Director
Auditor	KPMG Cambodia Ltd
Principal bankers	Acleda Bank Plc Ltd Cambodia Asia Bank Ltd Canadia Bank Plc Rural Development Bank of Cambodia

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Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Cambodian Entrepreneur Building Limited (“the Company” or “CEB”) for the year ended 31 December 2007.

Principal activity

The principal activity of the Company is to provide micro-finance services to the entrepreneurial poor, especially women in urban and rural areas of Cambodia through its head office in Phnom Penh and its various provincial and districts offices in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2007 were as follows:

	US\$
Profit before income tax	1,464,808
Income tax	(300,785)
Profit after income tax	<u>1,164,023</u>

Share capital

The paid-up share capital of the Company as at 31 December 2007 is US\$2,233,510 and the Company was granted an indefinite license on 19 April 2006 to operate micro-finance services.

Reserves and provisions

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

Change of circumstances

In the case of this report, the Board of Directors is not aware of any circumstances that would render any statement made in the financial statements misleading.

Bad and doubtful loans

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the 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 amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, 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 debts, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to an amount which they might be expected to realise.

At the date of this report, the Board of Directors is not aware of any circumstances, that would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the Board of Directors is not aware of any circumstances which 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 financial year which secures the liabilities of any other person;
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect 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 misleading.

Items of unusual nature

The results of the operations of the Company for the year ended 31 December 2007 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 financial year 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 financial year in which this report is made.

The Board of Directors

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

- Mr. Bun Mony, Chairman
- Mr. Var Muth, Director
- Mr. Davis Golding, Director
- Mr. Eelco Baan, Director
- Mr. Michael Moormann, Director
- Mr. Phai Touch, Director
- Mr. Hun Monivann, Director

Directors' interests

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

	Number of registered shares of US\$10 each			
	Balance at 1.1.2007	Bought	Sold	Balance at 31.12.2007
Mr. Bun Mony	2,859	41	-	2,900
Mr. Var Muth	1,015	-	-	1,015

Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Events since the balance sheet date

At the date of this report, there have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

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 2007, and of the results of its operations and its cash flows for the year 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 Cambodian Accounting Standards, accounting principles generally accepted 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. Bun Mony
Chairman

Date: 24 March 2008



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REPORT OF THE INDEPENDENT AUDITORS

To the shareholders

Cambodian Entrepreneur Building Limited

We have audited the accompanying financial statements of Cambodian Entrepreneur Building Limited (“the Company” or “CEB”), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 46.

Management’s Responsibility for the Financial Statements

The Company’s management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards, accounting principles generally accepted in Cambodia and the guidelines issued by the National Bank of Cambodia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

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 comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cambodian Entrepreneur Building Limited as at 31 December 2007, and of its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards, accounting principles generally accepted in Cambodia and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.



KPMG Cambodia Ltd
Phnom Penh

24 March 2008

Cambodian Entrepreneur Building Limited

Balance sheet As at 31 December 2007

	Note	2007		2006
		US\$	KHR'000	US\$
ASSETS				
Cash on hand	3	267,663	1,071,455	124,809
Deposits and placements with banks	4	313,125	1,253,439	344,454
Statutory deposits	5	164,176	657,197	125,076
Loans to customers	6	22,174,418	88,764,195	12,172,323
Other receivables	7	591,250	2,366,774	250,587
Intangible assets	8	18,578	74,368	22,351
Property and equipment	9	405,078	1,621,527	232,317
		<hr/>	<hr/>	<hr/>
Total assets		23,934,288	95,808,955	13,271,917
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND EQUITY				
Liabilities				
Deposits from customers	10	1,401,342	5,609,572	540,088
Borrowings	11	17,402,500	69,662,208	9,232,500
Other liabilities	12	550,066	2,201,914	257,187
Provision for income tax	13	250,565	1,003,012	76,350
		<hr/>	<hr/>	<hr/>
Total liabilities		19,604,473	78,476,706	10,106,125
		<hr/>	<hr/>	<hr/>
Equity				
Share capital	14	2,233,510	8,940,740	2,233,510
Share premium		174,960	700,365	174,960
Retained earnings		1,921,345	7,691,144	757,322
		<hr/>	<hr/>	<hr/>
Total equity		4,329,815	17,332,249	3,165,792
		<hr/>	<hr/>	<hr/>
Total Liabilities and equity		23,934,288	95,808,955	13,271,917
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The notes set out on pages 11 to 46 from an integral part of these financial statements

Cambodian Entrepreneur Building Limited

Income statement For the year ended 31 December 2007

	Note	2007		2006
		US\$	KHR'000	US\$
Interest income	15	4,828,055	19,326,704	2,561,428
Interest expense	16	(1,549,047)	(6,200,835)	(796,153)
Net interest income		<u>3,279,008</u>	<u>13,125,869</u>	<u>1,765,275</u>
Other operating income	17	457,153	1,829,983	160,205
Operating income		<u>3,736,161</u>	<u>14,955,852</u>	<u>1,925,480</u>
Operating and other expenses	18	(2,131,920)	(8,534,076)	(1,320,112)
Provision for bad and doubtful loans	6	(139,433)	(558,150)	(97,213)
Profit before income tax		<u>1,464,808</u>	<u>5,863,626</u>	<u>508,155</u>
Income tax	13	(300,785)	(1,204,042)	(106,273)
Net profit for the year		<u><u>1,164,023</u></u>	<u><u>4,659,584</u></u>	<u><u>401,882</u></u>

The notes set out on pages 11 to 46 from an integral part of these financial statements

Cambodian Entrepreneur Building Limited

Statement of changes in equity For the year ended 31 December 2007

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2006	1,158,470	-	355,440	1,513,910
Issuance of share capital	1,075,040	174,960	-	1,250,000
Net profit for the year	-	-	401,882	401,882
Balance as at 31 December 2006	2,233,510	174,960	757,322	3,165,792
Net profit for the year 2007	-	-	1,164,023	1,164,023
Balance as at 31 December 2007	2,233,510	174,960	1,921,345	4,329,815
(KHR'000 equivalent)	8,940,740	700,365	7,691,144	17,332,249

The notes set out on pages 11 to 46 from an integral part of these financial statements

Cambodian Entrepreneur Building Limited

Statement of cash flows For the year ended 31 December 2007

	Note	2007 US\$	2007 KHR'000	2006 US\$
Cash flows from operating activities				
Net cash used in operating activities	19	(7,698,963)	(30,818,949)	(5,075,435)
Cash flows from investing activities				
Purchase of property and equipment		(352,588)	(1,411,410)	(164,210)
Purchase of computer software		(14,804)	(59,260)	(14,000)
Proceeds from disposal of property and equipment		7,880	31,543	1,422
Net cash used in investing activities		(359,512)	(1,439,127)	(176,788)
Cash flows from financing activities				
Proceeds from issuance of share capital		-	-	1,250,000
Proceeds from long-term borrowings		8,170,000	32,704,510	4,157,500
Net cash generated from financing activities		8,170,000	32,704,510	5,407,500
Net increase in cash and cash equivalents		111,525	446,434	155,277
Cash and cash equivalents at beginning of year		469,263	1,878,460	313,986
Cash and cash equivalents at end of year	20	580,788	2,324,894	469,263

The notes set out on pages 11 to 46 from an integral part of these financial statements

Cambodian Entrepreneur Building Limited

Notes to the financial statements For the year ended 31 December 2007

1. Background and principal activities

Cambodian Entrepreneur Building Ltd. (“the Company”) is engaged in the provision of micro-financing activities through 11 provincial branches located in Phnom Penh, Siem Reap, Kampong Cham, Kampong Thom, Kandal, Banteay Meanchey, Battambang, Pursat, Kampong Chhnang, Kampong Speu and Kampot 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 the Company staff. The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a micro-finance institution on 23 April 2003. Under the micro-finance license, 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.

The NBC granted an indefinite micro finance license to the Company effective from 19 April 2006.

The Company’s vision is to empower entrepreneurial poor, especially 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.

As at 31 December 2007, the Company had 466 employees (31 December 2006 - 280 employees).

2. Significant accounting policies

(a) Basis of financial statements preparation

The financial statements have been prepared in accordance with Cambodian Accounting Standards, the laws and accounting regulations of Cambodia and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements.

(b) Basis of aggregation

The financial statements comprise the financial statements of the head office and the eleven provincial branches in Phnom Penh, Kandal, Kampong Cham, Kampong Thom, Siem Reap, Banteay Meanchey, Battambang, Pursat, Kampong Chhnang, Kampong Speu and Kampot provinces, after the elimination of all inter-branch balances and transactions.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

2. Significant accounting policies (continued)

(c) Financial instruments

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

(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 its business both in United States Dollars and Khmer Riel ("KHR") and maintains its accounting records in United States Dollars ("US\$"). Management have determined the US\$ to be the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company as the majority of the loan transactions are in US\$.

Transactions in currencies other than US\$ are translated into 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 income statement.

All assets, liabilities and income statement items at the end of the year are translated into KHR using the prescribed official exchange rate announced by the National Bank of Cambodia at the balance sheet date of US\$1: KHR 4,003 (2006: KHR 4,057). These translations are for presentation purposes only and should not be construed as representations that the KHR amounts have been, could have been or could in the future be converted 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.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

2. Significant accounting policies (continued)

(g) Loans to customers

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

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

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

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

(h) Provision for bad and doubtful loans

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

Classification	Number of days past due	Provision
Short term loan (less than one year):		
Substandard	31 – 60 days	10%
Doubtful	61 – 90 days	30%
Loss	Over 90 days	100%
Long term loan (more than one year):		
Substandard	31 – 180 days	10%
Doubtful	181 – 360 days	30%
Loss	Over 360 days	100%

The specific provision is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrual interest and is charged as expense. Interest on non-performing loans is not accrued.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

2. Significant accounting policies (continued)

(h) Provision for bad and doubtful loans (continued)

In addition to the specific provision, an additional general provision for bad and doubtful loans is made at the rate of 1.25% of all outstanding performing loans as at year end.

Loans are written off to the income statement when the loans remain unpaid after 180 days for loans with maturities of one year or less and after 360 days for loans with maturities of more than one year. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans.

An uncollectible loan or portion of a loan classified is written off when, in the judgment of the management, there is no prospect of recovery, after taking into consideration the realisable value of the collateral, if any.

Recoveries on loans previously written off are disclosed as a deduction from bad and doubtful debts expense.

(i) Deposits and placement with banks

Deposits and placements with banks are carried at cost.

(j) Other receivables

Other receivables are carried at estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the end of the fiscal year.

(k) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

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

Office furniture & equipment	25%
Computers	50%
Motor vehicles	25%

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

2. Significant accounting policies (continued)

(k) Property and equipment (continued)

- (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 items of property and equipment are retained in the financial statements until disposed of 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.

(l) Intangible assets

Intangible assets consist of computer software and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a declining basis at the rate of 50% per annum. Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

(m) Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 2(g).

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

2. Significant accounting policies (continued)

(m) Impairment (continued)

(i) *Financial assets (continued)*

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) *Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(n) Deposits from customers

Deposits from customers are stated at placement value.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

2. Significant accounting policies (continued)

(o) 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.

(p) Borrowings

Borrowings are stated at cost.

(q) Income and expense recognition

Interest income on loans is recognised on an accruals 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.

Loan fee income is recognised as income when the loan is disbursed to customers. The loan fee income is calculated using the principal and fee rate.

Expenses are recognised on an accrual basis.

(r) Operating leases

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

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

2. Significant accounting policies (continued)

(s) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in 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. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the law that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) 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.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

3. Cash on hand

	2007		2006
	US\$	KHR'000	US\$
Head office			
US Dollars	4,665	18,674	2,333
Khmer Riel	61	244	100
<i>Phnom Penh branch</i>			
US Dollars	51,741	207,119	35,839
Khmer Riel	7,994	32,000	5,617
<i>Provincial branches</i>			
Kandal			
US Dollars	15,231	60,970	18,564
Khmer Riel	9,822	39,318	6,925
Kampong Cham			
US Dollars	31,418	125,766	21,493
Khmer Riel	14,835	59,385	15,097
Kampong Thom			
US Dollars	11,115	44,493	4,181
Khmer Riel	2,446	9,791	3,715
Siem Reap			
US Dollars	41,913	167,778	9,118
Khmer Riel	4,648	18,606	1,827
Kampong Chhnang			
US Dollars	11,821	47,320	-
Khmer Riel	5,811	23,261	-
Pursat			
US Dollars	5,761	23,061	-
Khmer Riel	380	1,521	-
Battambang			
US Dollars	5,055	20,235	-
Khmer Riel	4,382	17,541	-
Banteay Meanchey			
US Dollars	7,097	28,409	-
Khmer Riel	3,204	12,826	-
Kampot			
US Dollars	465	1,861	-
Khmer Riel	93	373	-
Kampong Speu			
US Dollars	22,647	90,656	-
Khmer Riel	5,058	20,247	-
	267,663	1,071,455	124,809
	267,663	1,071,455	124,809

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

4. Deposits and placements with banks

	2007		2006
	US\$	KHR'000	US\$
Head office	34,275	137,203	132,884
Phnom Penh	71,498	286,206	41,306
Provincial branches:			
Kandal	16,393	65,621	46,722
Kampong Cham	55,838	223,520	60,625
Kampong Thom	10,716	42,896	11,335
Siem Reap	40,525	162,222	51,582
Kampong Chhnang	15,077	60,353	-
Pursat	5,100	20,415	-
Battambang	10,613	42,484	-
Banteay Meanchey	45,085	180,475	-
Kampot	84	336	-
Kampong Speu	7,921	31,708	-
	<u>313,125</u>	<u>1,253,439</u>	<u>344,454</u>

Deposits with banks mature within one month and are analysed as follows:

	2007		2006
	US\$	KHR'000	US\$
(a) By currency:			
US Dollars	312,519	1,251,013	343,992
Khmer Riel	606	2,426	462
	<u>313,125</u>	<u>1,253,439</u>	<u>344,454</u>
(b) By type:			
<i>Current account:</i>			
Acleda Bank Plc Ltd	682	2,730	54
National Bank of Cambodia	1,637	6,553	886
<i>Savings account:</i>			
Acleda Bank Plc Ltd	307,677	1,231,630	331,409
Canadia Bank Plc	343	1,373	10,167
Cambodia Asia Bank Ltd	512	2,050	500
Rural Development Bank of Cambodia	2,274	9,103	1,438
	<u>313,125</u>	<u>1,253,439</u>	<u>344,454</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

4. Deposits and placements with banks (continued)

(c) By interest rate (per annum):

	2007	2006
Aceda Bank Plc Ltd	2.00%	2.00%
Canadia Bank Plc	0.75% - 2%	0.75% - 2%
Cambodia Asia Bank Ltd	2.5%	2.5%
Rural Development Bank of Cambodia	1.00% - 1.50%	1.00% - 1.50%

5. Statutory deposits

	2007		2006
	US\$	KHR'000	US\$
Statutory deposits on:			
Registered share capital	111,676	447,039	111,676
Customers' deposits	52,500	210,158	13,400
	<u>164,176</u>	<u>657,197</u>	<u>125,076</u>

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-00-006 and B7-06-209 on the Licensing of Micro-Finance Institutions, the amounts of which are determined by defined percentages of the Company's registered share capital and customers' deposits with the Company.

The statutory deposit on registered share capital is refundable when the Company voluntarily liquidates and has no deposit liabilities. The statutory deposit on customers' deposits fluctuates depending on the level of the customers' deposits.

From September 2006, the statutory deposit on registered capital placed with NBC earns interest at the rate of 3% per annum. The statutory deposit relating to customers' deposits does not earn interest.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

6. Loans to customers

	2007		2006
	US\$	KHR'000	US\$
Group loans	365,352	1,462,504	150,439
Individual loans	22,089,755	88,425,289	12,176,356
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>
Allowance for bad and doubtful loans			
Specific	(7,150)	(28,621)	(16,087)
General	(273,539)	(1,094,977)	(138,385)
	<u>(280,689)</u>	<u>(1,123,598)</u>	<u>(154,472)</u>
	<u>22,174,418</u>	<u>88,764,195</u>	<u>12,172,323</u>
	<u><u>24,024</u></u>	<u><u>15,112</u></u>	

The movements in allowance for bad and doubtful loans to customers were as follows:

	2007		2006
	US\$	KHR'000	US\$
At beginning of year	154,472	618,351	78,773
Provision during the year	139,433	558,150	97,213
Written-off	(13,216)	(52,903)	(21,514)
	<u>280,689</u>	<u>1,123,598</u>	<u>154,472</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

6. Loans to customers (continued)

The loans to customers are analysed as follows:

	2007		2006
	US\$	KHR'000	US\$
(a) By maturity:			
Within 1 month	2,037,256	8,155,136	1,189,906
1 to 3 months	4,078,304	16,325,451	2,376,924
4 to 6 months	5,890,393	23,579,243	3,269,337
7 to 12 months	7,947,085	31,812,181	4,251,855
More than 12 months	2,502,069	10,015,782	1,238,773
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>
(b) By currency:			
US Dollars	19,380,104	77,578,556	11,348,274
Khmer Riel	3,075,003	12,309,237	978,521
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>
(c) By economic sector:			
Agriculture	6,263,638	25,073,343	1,500,686
Building and construction	1,306,390	5,229,479	2,917,317
Small trade and commerce	9,114,497	36,485,331	5,231,729
Services	5,564,628	22,275,206	2,260,291
Others	205,954	824,434	416,772
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>
(d) By residency status:			
Residents	22,455,107	89,887,793	12,326,795
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>
(e) By relationship:			
External customers	22,293,062	89,239,127	12,287,399
Staff loans	162,045	648,666	39,396
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

6. Loans to customers (continued)

	2007		2006
	US\$	KHR'000	US\$
(f) By location:			
Head Office	44,930	179,855	14,946
Phnom Penh	5,392,472	21,586,065	3,505,821
Kandal	5,142,334	20,584,763	3,240,066
Kampong Thom	1,929,833	7,725,121	831,854
Kampong Cham	3,979,783	15,931,071	2,387,573
Siem Reap	3,489,399	13,968,064	2,346,535
Kampong Chhnang	377,025	1,509,232	-
Pursat	354,050	1,417,262	-
Battambang	460,671	1,844,066	-
Banteay Meanchey	394,241	1,578,147	-
Kampong Speu	532,635	2,132,138	-
Kampot	357,734	1,432,009	-
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>
(g) By performance:			
Standard loans:			
Secured	22,424,367	89,764,741	12,298,348
Unsecured	-	-	-
Sub-standard loans:			
Secured	20,594	82,438	8,571
Unsecured	-	-	-
Doubtful loans:			
Secured	7,275	29,122	6,637
Unsecured	-	-	-
Loans loss:			
Secured	2,871	11,492	13,239
Unsecured	-	-	-
	<u>22,455,107</u>	<u>89,887,793</u>	<u>12,326,795</u>
(h) By interest rate (per annum):			
		2007	2006
External customers		24% - 42%	24% - 42%
Staff loans		12%	12%

During the year there was no renegotiation of delinquent loans, i.e., refinancing or restructuring. Loans disclosed above are based on the original loan agreements entered into with customers.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

7. Other receivables

	2007		2006
	US\$	KHR'000	US\$
Interest receivable	330,497	1,322,980	172,752
Prepayments and deposits	260,070	1,041,060	77,587
Prepaid insurance	683	2,734	-
Others	-	-	248
	<u>591,250</u>	<u>2,366,774</u>	<u>250,587</u>

8. Intangible assets

	Micro Banker Software license	
	US\$	KHR'000
Cost		
At 1 January 2007	52,280	209,277
Additions	14,804	59,260
	<u>67,084</u>	<u>268,537</u>
At 31 December 2007	<u>67,084</u>	<u>268,537</u>
Less: Accumulated amortisation		
At 1 January 2007	29,929	119,805
Charge for the year	18,577	74,364
	<u>48,506</u>	<u>194,169</u>
At 31 December 2007	<u>48,506</u>	<u>194,169</u>
Net book value		
At 31 December 2007	<u>18,578</u>	<u>74,368</u>
At 31 December 2006	<u>22,351</u>	<u>90,678</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

9. Property and equipment

	Office furniture & equipment US\$	Computers US\$	Motor vehicles US\$	Total US\$
Cost				
At 1 January 2007	126,179	87,988	247,564	461,731
Additions	84,018	100,170	168,400	352,588
Disposals	-	-	(10,116)	(10,116)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2007	210,197	188,158	405,848	804,203
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less: Accumulated depreciation				
At 1 January 2007	52,548	58,866	118,000	229,414
Charge for the year	39,368	64,646	74,333	178,347
Disposals	-	-	(8,636)	(8,636)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2007	91,916	123,512	183,697	399,125
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 December 2007	118,281	64,646	222,151	405,078
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006	73,631	29,122	129,564	232,317
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

9. Property and equipment (continued)

	Office furniture & equipment KHR'000	Computers KHR'000	Motor vehicles KHR'000	Total KHR'000
Cost				
At 1 January 2007	505,095	352,216	990,998	1,848,309
Additions	336,324	400,980	674,105	1,411,409
Disposals	-	-	(40,494)	(40,494)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	841,419	753,196	1,624,609	3,219,224
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Less: Accumulated depreciation				
At 1 January 2007	210,350	235,640	472,354	918,344
Charge for the year	157,590	258,778	297,555	713,923
Disposals	-	-	(34,570)	(34,570)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	367,940	494,418	735,339	1,597,697
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 31 December 2007	473,479	258,778	889,270	1,621,527
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

10. Deposits from customers

	2007		2006
	US\$	KHR'000	US\$
Compulsory savings	228,125	913,184	298,901
Voluntary savings			
Passbook savings	845,887	3,386,086	206,887
Term deposits	327,330	1,310,302	34,300
	<u>1,401,342</u>	<u>5,609,572</u>	<u>540,088</u>

The compulsory savings is a deposit required as a condition in granting loans by the Company. 2% and 5% of the principal loan amount disbursed in US Dollar and Khmer Riel to borrowers is recorded as compulsory savings and bears interest at 4% per annum starting from November 2006. The compulsory savings is be refunded at the end of the loan cycle.

The voluntary savings is available for all customers and bears interest at the rate of 4% per annum starting from July 2006. The interest charge is accrued to individual borrowers' accounts every month end.

The term deposits bear interest at the rate of 4.5% for a one month term, 5% for a three month term, 5.5% for a six month term and 6.5% for a one year term starting from July 2006.

The deposits from customers are analysed as follows:

(a) By currency:

	2007		2006
	US\$	KHR'000	US\$
US Dollars	1,277,582	5,114,161	478,983
Khmer Riel	123,760	495,411	61,105
	<u>1,401,342</u>	<u>5,609,572</u>	<u>540,088</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

10. Deposits from customers (continued)

(b) By maturity:

	2007		2006
	US\$	KHR'000	US\$
Within 1 month	465,895	1,864,978	111,608
1 to 3 months	477,002	1,909,439	119,702
4 to 6 months	251,261	1,005,798	124,752
7 to 12 months	182,090	728,906	153,988
More than 12 months	25,094	100,451	30,038
	<u>1,401,342</u>	<u>5,609,572</u>	<u>540,088</u>

11. Borrowings

		2007		2006
		US\$	KHR'000	US\$
Asian Development Bank's loan through Rural Development Bank ("RDB")	a	87,500	350,263	512,500
Blue Orchard	b	625,000	2,501,875	625,000
Belgische Investerings - Maatschappij voor Ontwikkelings-landen N.V	c	340,000	1,361,020	670,000
Global Microfinance Facility	d	3,000,000	12,009,000	1,000,000
Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V	e	2,500,000	10,007,500	2,000,000
Oikocredit	f	2,850,000	11,408,550	1,725,000
ShoreCap International Ltd	g	500,000	2,001,500	500,000
Triodos & Doen	h	2,500,000	10,007,500	2,200,000
Triodos & Doen (Subordinated debt)	h	1,000,000	4,003,000	-
Global Commercial Microfinance Consortium, Ltd. (c/o Deutsche Bank Ltd.)	i	3,000,000	12,009,000	-
Dual Return Fund SICAV	j	1,000,000	4,003,000	-
		<u>17,402,500</u>	<u>69,662,208</u>	<u>9,232,500</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

11. Borrowings (continued)

The above borrowings are unsecured and have the following details:

a) *Asian Development Bank's loan through RDB*

Terms	3 years, maturing on 28 June 2008	
Total credit facilities	First loan	US\$250,000
	Second loan	US\$350,000
	Total	US\$600,000
Principal repayments	First loan, full repayment of the amount for each drawdown within 12 months. Each drawdown was on 1 December 2004 and 17 January 2005 respectively.	
	Second loan, 4 equal semester principal repayments of US\$87,500 each starting after grace period of 12 months. The repayments of US\$87,500 are on 28 December 2006, 28 June 2007, 28 December 2007 and 28 June 2008 respectively.	
Interest rate	The interest is paid at a rate per annum of six-month US\$ LIBOR plus 4%.	

b) *Blue Orchard*

Dexia Micro Credit Fund (Blue Orchard)

Terms	3 years, maturing on 10 February 2009
Credit facility	US\$375,000
Principal repayments	US\$175,000 repayable on 10 February 2008 and US\$200,000 repayable on 10 February 2009.
Interest rate	The interest is paid at a rate per annum of six-month US\$ LIBOR plus 6%.

Credit Suisse Microfinance Fund Management (Blue Orchard)

Terms	3 years, maturing on 10 February 2009
Credit facility	US\$250,000
Principal repayments	US\$125,000 repayable on 10 February 2008 and US\$125,000 repayable on 10 February 2009.
Interest rate	The interest is paid at a rate per annum of six-month US\$ LIBOR plus 6%.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

11. Borrowings (continued)

c) *Belgische Investerings-Maatschappij voor Ontwikkelings-landen N.V*

Terms	3 years, maturing on 31 December 2008
Credit facility	US\$1,000,000
Principal repayments	2 installments of US\$330,000 each and a final installment of US\$340,000 due on 31 December 2006, 31 December 2007 and 31 December 2008 respectively.
Interest rate	The higher of the US\$ swap rate for 4 years increased by 5.375% per annum and 8.5% per annum.

d) *Global Microfinance Facility*

Terms	5 years, maturing on 21 September 2012
Credit facilities	US\$2,000,000
Principal repayments	3 instalments of US\$660,000 on 21 May 2012, US\$660,000 on 21 July 2012 and US\$680,000 on 21 September 2012 respectively.
Interest rate	The interest is paid at a fixed rate of 9%. Interest is paid semi-annually.
Terms	5 years, maturing on 21 September 2012
Credit facilities	US\$1,000,000
Principal repayments	3 instalments of US\$330,000 on 21 May 2012, US\$330,000 on 21 July 2012 and US\$340,000 on 21 September 2012 respectively.
Interest rate	The interest is paid at a fixed rate of 8.25%.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

11. Borrowings (continued)

e) *Nederlandse Financierings-Maatschappij voor Ontwikkelings-landen N.V*

Terms	69 months, maturing on 15 January 2012
Credit facilities	US\$2,500,000
Principal repayments	8 equal semi-annual instalments of US\$312,500 each due on 15 January and 15 July of each year. The first instalment is due on 15 July 2008.
Interest rate	The interest is paid at a rate per annum of six-month LIBOR plus 4.5%.

f) *Oikocredit*

Terms	3 and 5 years, starting on 19 September 2005 and 22 February 2007 for first loan and second loan respectively.
Credit facility	First loan US\$1,500,000 Second loan US\$2,100,000 Total US\$3,600,000
Principal repayments	The first loan has 4 equal semi-annual installments of US\$375,000. The first repayment shall be made 18 months after the first disbursement on 28 March 2007. The other repayments are due on September 2007, March 2008 and September 2008 respectively. The second loan has 7 equal semi-annual installments of US\$300,000. The first repayment shall be made 24 months after the first disbursement on 3 September 2009. The other repayments are due on September and March respectively.
Interest rate	The annual interest rate is fixed at 9%. Interest is paid semi-annually.

g) *ShoreCap International Ltd*

Terms	3 years, maturing on 15 March 2009.
Credit facility	US\$500,000
Principal repayments	4 equal-quarterly installments due on 15 June 2008, September 2008, December 2008 and March 2009 respectively.
Interest rate	The annual interest rate is fixed at 9%. Interest is payable quarterly.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

11. Borrowings (continued)

h) Triodos & Doen

Terms	4 years, maturing on 1 April 2009 for first loan. 5 years maturing on 1 January 2011 for second loan and the last one maturing no later than 1 January 2018	
Credit facilities	First loan	US\$500,000
	Second loan	US\$2,000,000
	Third loan	US\$1,000,000
	Total	US\$3,500,000
Principal repayments	The first loans principal will be repaid at the end of the loan period on 1 April 2009. The second loan has 4 equal principle installments of US\$500,000 due on 1 April 2010, 1 July 2010, 1 October 2010 and 1 January 2011 respectively. The third loan is the subordinated debt that has a principle loan amount of US\$2,000,000 of which US\$1,000,000 was disbursed on 10 December 2007.	
Interest rate	The first and the second loans have the annual interest rate fixed at 9.25%. Interest is payable quarterly. The third loan has the annual interest rate fixed at 9%. Interest is payable quarterly.	

i) Global Commercial Microfinance

Terms	3 years, maturing on 1 November 2010
Credit facilities	US\$3,000,000
Principal repayments	3 equal installments of US\$1,000,000 due on 1 May 2010, 1 August 2010 and 1 November 2010 respectively.
Interest rate	The interest is paid at a rate per annum of six-month LIBOR plus 4.5%.

j) Dual Return Fund SICAV

Terms	3 years, maturing on 8 February 2010
Credit facilities	US\$1,000,000
Principal repayments	2 equal installments of US\$500,000 due on 8 February 2009 and 8 February 2010 respectively.
Interest rate	The interest is paid at a rate per annum of 9%.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

12. Other liabilities

	2007		2006
	US\$	KHR'000	US\$
Accrued expenses	317,673	1,271,645	171,373
Insurance reserve fund	28,190	112,845	16,931
Staff benefits payable	72,569	290,494	38,602
Staff saving accounts	-	-	3,000
Staff provident fund	61,801	247,389	-
Other liabilities	69,833	279,541	27,281
	<u>550,066</u>	<u>2,201,914</u>	<u>257,187</u>

13. Income tax

Provision:

	2007		2006
	US\$	KHR'000	US\$
Balance at beginning of year	76,350	305,630	50,577
Expenses	300,785	1,204,042	106,273
Payments	(126,570)	(506,660)	(80,500)
Balance at end of year	<u>250,565</u>	<u>1,003,012</u>	<u>76,350</u>

Tax expense:

In accordance with Cambodian law, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

The reconciliation of income taxes computed at the statutory tax rate to the income tax expense shown in the income statement is as follows:

	2007			2006	
	US\$	KHR'000	%	US\$	%
Profit before income tax	1,464,808	5,863,626		508,155	
Income tax using statutory rate	292,962	1,172,727	20	101,631	20
Tax effect of non-deductible expenses	7,823	31,315	1	4,642	1
Effective income tax rate	<u>300,785</u>	<u>1,204,042</u>	<u>21</u>	<u>106,273</u>	<u>21</u>

The calculation of taxable profit is subject to the review and approval of the tax authorities.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

14. Share capital

The details of shareholding are as follows:

	2007		2006
	US\$	KHR'000	US\$
Shares 223,351 of US\$10 each:			
Cambodia Community			
Building - NGO	522,790	2,092,728	522,790
CEB Employee Company Limited	135,680	543,126	135,680
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden (“FMO”)	412,520	1,651,318	412,520
ShoreCap International Limited	750,000	3,002,250	750,000
Stichting Triodos-Doen	412,520	1,651,318	412,520
	<u>2,233,510</u>	<u>8,940,740</u>	<u>2,233,510</u>

Included in CEB Employee Company Limited are shares amounting to US\$29,000 and US\$10,150 (2006: US\$28,590 and US\$10,150) held by two directors, Mr. Bun Mony and Mr. Va Muth respectively.

15. Interest income

	2007		2006
	US\$	KHR'000	US\$
Loans to customers	4,811,515	19,260,494	2,547,687
Deposits and placements with banks	16,540	66,210	13,741
	<u>4,828,055</u>	<u>19,326,704</u>	<u>2,561,428</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

16. Interest expense

	2007		2006
	US\$	KHR'000	US\$
Long-term borrowings	1,471,099	5,888,809	731,106
Short-term borrowings	40,570	162,402	58,894
Deposits from customers	37,378	149,624	6,153
	<u>1,549,047</u>	<u>6,200,835</u>	<u>796,153</u>

17. Other operating income

	2007		2006
	US\$	KHR'000	US\$
Loans and penalties fee	377,999	1,513,130	148,802
Other income	44,396	177,717	10,975
Gain on foreign exchange	34,758	139,136	428
	<u>457,153</u>	<u>1,829,983</u>	<u>160,205</u>

The Company did not receive any donations in-kind or subsidies during the year.

18. Operating and other expenses

	2007		2006
	US\$	KHR'000	US\$
Audit fee	15,400	61,646	13,751
Bank charges and service fees	14,181	56,767	13,062
Depreciation and amortisation	196,924	788,287	119,204
Motor vehicle operating expenses	94,146	376,866	74,121
Other professional and legal fees	1,848	7,398	66,705
Office rental	145,996	584,422	92,502
Other taxes	8,696	34,810	11,242
Personnel and staff costs	1,204,212	4,820,461	707,916
Repairs and maintenance	8,117	32,492	16,646
Staff training and conferences	81,158	324,875	23,507
Other expenses	361,242	1,446,052	181,456
	<u>2,131,920</u>	<u>8,534,076</u>	<u>1,320,112</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

19. Net cash used in operating activities

	2007		2006
	US\$	KHR'000	US\$
Profit before income tax	1,464,808	5,863,626	508,155
Adjustments for:			
Depreciation and amortisation	196,924	788,287	119,204
Provision for bad and doubtful loans and advances	139,433	558,150	97,213
(Gain)/loss on disposal of property and equipment	(6,400)	(25,619)	261
Loss on written-off property and equipment	-	-	1,776
Operating profit before changes in operating assets and liabilities	1,794,765	7,184,444	726,609
Decrease/(increase) in:			
Loans and advances	(10,141,528)	(40,596,537)	(6,065,525)
Other receivables	(340,663)	(1,363,674)	(71,887)
Statutory deposits	(39,100)	(156,517)	(67,152)
Increase/(decrease) in:			
Deposits from customers	861,254	3,447,600	341,202
Other liabilities	292,879	1,172,395	141,818
Cash used in operations	(7,572,393)	(30,312,289)	(4,994,935)
Income tax paid	(126,570)	(506,660)	(80,500)
Net cash used in operating activities	(7,698,963)	(30,818,949)	(5,075,435)

20. Cash and cash equivalents

	2007		2006
	US\$	KHR'000	US\$
Cash on hand	267,663	1,071,455	124,809
Deposits and placements with banks	313,125	1,253,439	344,454
	580,788	2,324,894	469,263

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

21. Commitments and contingencies

(a) Lease commitments

The Company has lease commitments in respect of the lease of the Company's registered office and branches in Phnom Penh, Kandal, Kampong Cham, Kampong Thom, Siem Reap, Banteay Meanchey, Battambang, Pursat, Kampong Chhnang, Kampong Speu and Kampot. The total remaining rental commitments as at 31 December are due as follows:

	2007		2006
	US\$	KHR'000	US\$
Within one year	96,083	384,620	83,412
2 to 3 years	218,250	873,655	39,374
More than 3 years	896,000	3,586,688	-
	<u>1,210,333</u>	<u>4,844,963</u>	<u>122,786</u>

(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.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

22. Related party transactions

The Company had significant related party transactions during the year as follows:

	2007		2006
	US\$	KHR'000	US\$
Shareholders:			
Related party borrowings	6,500,000	26,019,500	3,500,000
Interest expense	616,595	2,468,230	97,155

23. Financial risk management policies

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

(a) Credit risk

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

The primary exposure to credit risk arises through its loans to customers. 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 loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

(b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factor 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.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

23. Financial risk management policies (continued)

(b) Operational risk (continued)

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.

(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 marking to market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Khmer Riel. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Management does not enter into any currency hedging transaction since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

(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. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Since the majority of financial assets are short-term and the interest rates are subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

The following table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued)

For the year ended 31 December 2007

23. Financial risk management policies (continued)

(ii) Interest rate risk (continued)

2007	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	more than 1 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets							
Cash on hand	-	-	-	-	267,663	267,663	-
Deposits and placements with banks	313,125	-	-	-	-	313,125	2.25%
Statutory deposits	-	-	111,676	-	52,500	164,176	3%
Loans to customers							
- Performing	2,037,256	4,078,304	13,837,478	2,471,329	-	22,424,367	-
- Non performing	-	-	-	-	30,740	30,740	-
- Allowance	-	-	-	-	(280,689)	(280,689)	-
Other receivables	-	-	-	-	591,250	591,250	-
	<u>2,350,381</u>	<u>4,078,304</u>	<u>13,949,154</u>	<u>2,471,329</u>	<u>661,464</u>	<u>23,510,632</u>	
Liabilities							
Deposits from customers	465,895	477,002	433,351	25,094	-	1,401,342	3%
Borrowings	-	675,000	1,865,000	14,862,500	-	17,402,500	8.5%
Other liabilities	-	-	-	-	550,066	550,066	-
Provision for income tax	-	-	-	-	250,565	250,565	-
Total liabilities	<u>465,895</u>	<u>1,152,002</u>	<u>2,298,351</u>	<u>14,887,594</u>	<u>800,631</u>	<u>19,604,473</u>	
Maturity gap	<u>1,884,486</u>	<u>2,926,302</u>	<u>11,650,803</u>	<u>(12,416,265)</u>	<u>(139,167)</u>	<u>3,906,159</u>	

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued)

For the year ended 31 December 2007

23. Financial risk management policies (continued)

(ii) Interest rate risk (continued)

2006	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets							
Cash on hand	-	-	-	-	124,809	124,809	-
Deposits and placements with banks	344,135	-	-	-	319	344,454	2.1%
Statutory deposits	-	-	111,676	-	13,400	125,076	3%
Loans to customers							
- Performing	1,189,906	2,376,924	7,521,192	1,210,326	-	12,298,348	-
- Non performing	-	-	-	-	28,447	28,447	-
- Allowance	-	-	-	-	(154,472)	(154,472)	-
Other receivables	-	-	-	-	250,587	250,587	-
	<u>1,534,041</u>	<u>2,376,924</u>	<u>7,632,868</u>	<u>1,210,326</u>	<u>263,090</u>	<u>13,017,249</u>	
Liabilities							
Deposits from customers	111,608	119,702	278,740	30,038	-	540,088	2.97%
Borrowings	-	600,000	1,630,000	7,002,500	-	9,232,500	8.5%
Other liabilities	-	-	-	-	257,187	257,187	-
Provision for income tax	-	-	-	-	76,350	76,350	-
Total liabilities	<u>111,608</u>	<u>719,702</u>	<u>1,908,740</u>	<u>7,032,538</u>	<u>333,537</u>	<u>10,106,125</u>	
Maturity gap	<u>1,422,433</u>	<u>1,657,222</u>	<u>5,724,128</u>	<u>(5,822,212)</u>	<u>(70,447)</u>	<u>2,911,124</u>	

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued)

For the year ended 31 December 2007

23. Financial risk management policies (continued)

(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.

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

23. Financial risk management policies (continued)

(d) Liquidity risk (continued)

2007	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	No fixed terms US\$	Total US\$
Financial Assets						
Cash on hand	267,663	-	-	-	-	267,663
Deposits and placements with banks	313,125	-	-	-	-	313,125
Statutory deposits	-	-	-	-	164,176	164,176
Loans to customers						
- Performing	2,037,256	4,078,304	13,837,478	2,471,329	-	22,424,367
- Non performing	-	-	-	-	30,740	30,740
- Allowance	-	-	-	-	(280,689)	(280,689)
Other receivables	336,869	12,572	57,132	184,677	-	591,250
	<u>2,954,913</u>	<u>4,090,876</u>	<u>13,894,610</u>	<u>2,656,006</u>	<u>(85,773)</u>	<u>23,510,632</u>
Financial Liabilities						
Deposits from customers	465,895	477,002	433,351	25,094	-	1,401,342
Borrowings	-	675,000	1,865,000	14,862,500	-	17,402,500
Other liabilities	-	-	-	-	550,066	550,066
Provision for income tax	-	250,565	-	-	-	250,565
	<u>465,895</u>	<u>1,402,567</u>	<u>2,298,351</u>	<u>14,887,594</u>	<u>550,066</u>	<u>19,604,473</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

23. Financial risk management policies (continued)

(d) Liquidity risk (continued)

2006	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	No fixed terms US\$	Total US\$
Financial Assets						
Cash on hand	124,809	-	-	-	-	124,809
Deposits and placements with banks	344,454	-	-	-	-	344,454
Statutory deposits	-	-	-	-	125,076	125,076
Loans to customers						
- Performing	1,189,906	2,376,924	7,521,192	1,210,326	-	12,298,348
- Non performing	-	-	-	-	28,447	28,447
- Allowance	-	-	-	-	(154,472)	(154,472)
Other receivables	172,752	248	40,545	37,042	-	250,587
	<u>1,831,921</u>	<u>2,377,172</u>	<u>7,561,737</u>	<u>1,247,368</u>	<u>(949)</u>	<u>13,017,249</u>
Financial Liabilities						
Deposits from customers	111,608	119,702	278,740	30,038	-	540,088
Borrowings	-	600,000	1,630,000	7,002,500	-	9,232,500
Other liabilities	-	-	-	-	257,187	257,187
Provision for income tax	-	76,350	-	-	-	76,350
	<u>111,608</u>	<u>796,052</u>	<u>1,908,740</u>	<u>7,032,538</u>	<u>257,187</u>	<u>10,106,125</u>

Cambodian Entrepreneur Building Limited

Notes to the financial statements (continued) For the year ended 31 December 2007

24. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at 31 December 2007.

25. Comparatives

Certain comparative figures have been reclassified to conform with the current year's presentation.

	As at 31 December 2006	
	As restated US\$	As previously stated US\$
Other operating income		
Loans and penalties fee	148,802	148,802
Other income	10,975	10,975
Gain on foreign exchange	428	-
	<hr/>	<hr/>
	160,205	159,777
	<hr/> <hr/>	<hr/> <hr/>
Operating and other expenses		
Audit fee	13,751	13,751
Bank charges and service fees	13,062	13,062
Depreciation and amortisation	119,204	119,204
Motor vehicle operating expenses	74,121	74,121
Other professional and legal fees	66,705	66,705
Office rental	92,502	92,502
Other taxes	11,242	11,242
Personnel and staff costs	707,916	707,916
Repairs and maintenance	16,646	16,646
Staff training and conferences	23,507	23,507
Other expenses	181,456	181,456
Gain on foreign exchange	-	(428)
	<hr/>	<hr/>
	1,320,112	1,319,684
	<hr/> <hr/>	<hr/> <hr/>