

CHC-LIMITED (MICRO FINANCE INSTUTION)

(Incorporated in the Kingdom of Cambodia)

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2006

CHC-LIMITED (MICRO FINANCE INSTITUTION)

(Incorporated in the Kingdom of Cambodia)

Financial statements for the year ended 31 December 2006

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THIS REPORT CONTAINS A SECTION FOR THE NATIONAL BANK OF CAMBODIA USE
WHICH DOES NOT FORM PART OF THE FINANCIAL STATEMENTS (PAGE I TO VII)

STATEMENT BY BOARD DIRECTORS

We, the undersigned, being two of the directors of CHC-LIMITED (MICRO FINANCE INSTITUTION), do hereby state that in our opinion:

- i) The results of the operations of the Company for the financial year ended 31 December 2006 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 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 2006 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 International Financial Reporting Standards.

Signed on behalf of the Board by:

Dr. Sok Thim
Chairman of the Board

Mr. King Kap Kalyan
General Manager

Date: 22 April 2007

REPORT OF INDEPENDENT AUDITORS
To the Shareholders and Board of Director of
CHC-LIMITED (MICRO FINANCE INSTITUTION)

Scope

We have audited the accompanying financial statements set out on page 5 to 20 of CHC-LIMITED (MICRO FINANCE INSTITUTION). (“The Company”), comprising the balance sheet, the statement of income, the statement of changes in equity and the cash flows statements of organization for the year ended 31 December 2006 with the note to the financial statements, which have been prepared in accordance with the International Financial Reporting Standards.

Respective Responsibilities of Director and Auditors

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.

Basis of Opinion

We conducted our audit in accordance with Standards Generally accepted in the Kingdom of Cambodia and 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 affair of the company for the year ended 31 December 2006 and of the results of its operations and cash flows for the year then ended, in accordance with NBC’s guidelines and the International Financial Reporting Standards.

ANGKOR CERTIFIED ACCOUNTANT

Phnom Penh, Kingdom of Cambodia
Date: 22 February 2007

CHC-LIMITED (MICRO FINANCE INSTITUTION)
(Incorporated in Cambodia)
BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	31-Dec-06		31-Dec-05
		USD	KHR'000	US
ASSETS				
CURRENT ASSETS				
Cash in hand	4	39,983	162,211	10,786
Deposits and placements with banks	5	19,301	78,304	22,951
Balances with central bank - current account		270	1,095	250
Statutory deposit with the NBC	6	3,250	13,185	3250
Loans and advances	7	1085,191	4,402,620	506,602
Amount due from shareholders		-	-	9,750
Other assets	8	12,717	51,593	5,449
Property and equipment	9	43,075	174,755	21,527
TOTAL ASSETS		<u>1,203,787</u>	<u>4,883,763</u>	<u>580,565</u>
LIABILITIES AND SHAREHOLDERS' FUND'S				
LIABILITIES				
CURRENT LIABILITIES				
Deposits from customers/members	10	6,637	26,926	4,590
Short term borrowings		-	-	49,693
Provision for income tax	11	335	1,359	165
Other creditors and accruals	12	63,912	259,291	11,573
Total Current Liabilities		<u>70,884</u>	<u>287,576</u>	<u>66,021</u>
LONG -TERM BORROWINGS	13	<u>805,209</u>	<u>3,266,733</u>	<u>200,000</u>
TOTAL LIABILITIES		<u>876,093</u>	<u>3,554,309</u>	<u>266,021</u>
SHAREHOLDER'S FUNDS				
Share capital	14	152,750	619,707	65,000
Subordinated debt/ending fund balance	15	154,407	626,429	242,157
Fund balance		1,108	4,495	-
Current Earning		19,429	78,823	7,387
Total Shareholders' Fund		<u>327,694</u>	<u>1,329,454</u>	<u>314,544</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		<u>1,203,787</u>	<u>4,883,763</u>	<u>508,565</u>

Signed and authorized for release on behalf of the board

Dr. Sok Thim
Chairman of the Board
Date: 22 February 2007

The notes set out on pages 09 to 20
form an integral part of these financial statements

Mr. King Kap Kalyan
General Manager

CHC-LIMITED (MICRO FINANCE INSTITUTION)
(Incorporated in Cambodia)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	31-Dec-06		31-Dec-05
		USD	KHR'000	USD
Interest income	16	275,268	1,116,764	145,745
Interest expense		<u>(64,660)</u>	<u>(262,327)</u>	<u>(13,855)</u>
Net interest income before provision for losses		210,608	854,437	131,890
Provision for losses		(6,305)	(25,578)	(1,500)
Non-interest income	17	<u>26,570</u>	<u>107,793</u>	<u>22,165</u>
Net operation income		230,873	963,652	152,555
Payroll and other staff costs		(98,530)	(399,734)	(65,733)
Depreciation of property and equipment		(14,401)	(58,423)	(9,372)
Other operating expenses	18	<u>(95,740)</u>	<u>(388,419)</u>	<u>(69,214)</u>
Profit before income tax		22,203	90,076	8,236
Income tax expense	19	(2,774)	(11,254)	(849)
Net profit after income tax		<u>19,429</u>	<u>78,822</u>	<u>7,387</u>

Signed and authorized for release on behalf of the board

Dr. Sok Thim
Chairman of the Board
Date: 22 February 2007

Mr. King Kap Kalyan
General Manager

CHC-LIMITED (MICRO FINANCE INSTITUTION)
(Incorporated in Cambodia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital USD	Fund balance USD	Subordi- nated debt USD	Retained earnings USD	Total USD
Balance as at 1 January 2005	-	243,284	-	44,123	287,407
Capital endowment	45,250	(45,250)	-	-	-
Shares paid during the year	10,000	-	-	-	10,000
Issued and unpaid share capital	9,750	-	-	-	9,750
Subordinated debt	-	(198,034)	198,034	-	-
Retained earnings	-	-	44,123	(7,387)	-
Net Profit for the year 2005	-	-	-	7,387	7,387
Balance as at 31 December 2005	<u>65,000</u>	<u>-</u>	<u>242,157</u>	<u>7,387</u>	<u>314,544</u>
Retained earnings	-	1,108	-	(1,108)	-
New Capital Endowment	87,750	-	(87,750)	-	-
Dividend	-	-	-	(6,279)	-
Net Profit for the year 2006	-	-	-	19,429	19,429
Balance as at 31 December 2006	<u>152,750</u>	<u>1,108</u>	<u>154,407</u>	<u>19,429</u>	<u>327,694</u>
<i>Balance as at 31 December 2006</i> <i>(KHR'000 equivalent)</i>	<u>619,707</u>	<u>4,495</u>	<u>626,429</u>	<u>78,823</u>	<u>1,329,455</u>

Signed and authorised for release on behalf of board

Dr. Sok Thim
Chairman of the Board
Date: 22 February 2007

Mr. King Kap Kalyan
General Manager

CHC-LIMITED (MICRO FINANCE INSTITUTION)
(Incorporated in Cambodia)

CACH FLOWS STATEMENT

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Cash flows from operating activities			
Gain before taxation	22,203	90,076	8,236
<i>Adjustments for:</i>			
Depreciation of fixed assets	14,401	58,425	9,372
Provision for loans	(584)	(2,368)	-
Gain on Sale of fixed assets	(127)	(514)	-
Loss on disposal of fixed assets	1,233	5,003	(283)
Operating income/(losses) before changes in working capital	37,126	150,621	17,325
Other deposits with bank	-	-	12,501
Statutory deposit with NBC	-	-	(3,250)
Loans and advances	(578,589)	(2,347,334)	(244,347)
Amount due from shareholders	9,750	39,556	-
Provision for income tax	170	689	165
Other assets	(7,268)	(29,486)	-
Deposit from customer/members	2,047	8,304	4,590
Other creditors and accruals	52,339	212,341	(24,480)
Short-term borrowings	(49,693)	(201,605)	49,693
Cash generated from operations	(534,117)	(2,166,914)	(187,801)
Taxation paid	2,774	11,254	(849)
Net cash generated from operating activities	(536,891)	(2,178,168)	(188,652)
CASH FLOW FROM GENERATION FROM INVESTING ACTIVITIES			
Purchases of fixed assets	(36,812)	(149,346)	(17,556)
Proceeds from sales of property and equipment	340	1,379	5,742
Net cash used in investing activities	(36,472)	(147,967)	(11,814)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	87,750	356,002	10,000
Subordinated debt/ending fund balance	(94,029)	(381,476)	-
Processed from long-term borrowing	605,209	2,455,333	200,000
Net cash generated from financing activities	598,930	2,429,859	210,000
NET(DECREASE)/INCREASE IN CASH AND BANK BALANCES	25,567	103,725	9,534
CASH AND BANK BALANCES AT THE BEGINNING OF YEAR/PERIOD	33,987	137,885	24,453
CASH AND BANK BALANCES AT THE END OF YEAR/PERIOD	59,554	241,610	33,987

FOR THE YEAR ENDED 31 DECEMBER 2006

Signed and authorised for release on behalf of the board

Dr. Sok Thim
Chairman of the Board

Mr. King kap Kalyan
General Manager

Date: 22 February 2007-03-27 The notes set out on pages 09 to 20
form an integral part of these financial statement

CHC-LIMITED (MICRO FINANCE INSTITUTION)
(Incorporated in the Kingdom of Cambodia)
Financial statements for the year ended 31 December 2006

NOTES TO THE FINACIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. General

C-H-C-Limited (Micro Finance Institution)(“the company “ or CHC ”), formerly known as Cambodian Health Committee Credit Program was a credit program of Cambodian Health Committee (“CHC”), an NGO established in March 1994 in response to the public health problems especially tuberculosis “TB” among rural poor in Svay Rieng province. In October 1994, “CHC” began implementing rural credit program known as Cambodian Health Committee Credit Program as part of an effort to reduce TB prevalence by reducing poverty.

The Company is engaged in the provision of micro financing activities in three branches located in Phnom Penh, Kep city and Kampong Trach, Kampong bay,and Prey Nup.

On 08 July 2005, the Company was incorporated with the Ministry of Commerce as a result of the Memorandum and Articles of Association signed on 15 June 2005 between CHC, its directors and CARD-NGO. The Company obtained its licence from the National Bank of Cambodia to operate as a micro finance institution on 14 September 2005. 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.

The registered office is located in Phnom Penh at No.20, Street 590 and as at 31 December 2006, the Company has 47 employees.

2. Basis of preparation and aggregation

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the NBC, and the International Financial Reporting Standards.

The financial statements include the financial statements of the head office in Phnom Penh and branches in Kampong Trach, Kampong Bay and Prey Nup. All signification inter-branch transactions are eliminated in full on aggregation of balances.

3. Significant accounting policies

3.1 Cash and cash equivalent

Cash and cash equivalent comprise cash, bank balances and short-term funds liquid able in less than month.

Significant accounting policies (continued)

3.2 Statutory deposits

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the law on Banking and Financial Institution (“LBFI”) and are not available to financial the Company day-to-day operations and hence are not considered as part of cash and cash equivalents fro the purpose of the statement cash flows.

3.3 Loans and advances

Loans and advance are presented using the principal amounts outstanding at the end of the year after deducting any provisions fro doubtful debts.

3.4 Provision for loan losses

Provision for loan losses is based on the latest NBC guideline 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	Between 31-60 days	10%
Doubtful	Between 61-90 days	30%
Loss	over 90 days	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.

3.5 Recognition of income and expense

Interest earning on loans and advances to customers are recognizing on the accrual basic, except where loans become doubtful of collection, in which, no interest is recognized as income.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realized on a cash basis. Customer’s loan accounts are classified as non-performing where repayments are in arrears for more than ninety days.

3.6 Interest and fee expenses

Interest expense on deposit on deposits from borrower is recognized on a cash basis.

3. Significant accounting policies (Continued)

3.7 Property and equipment

Property and equipment is stated at cost less accumulated depreciation.

Depreciation is calculated using the diminishing value basis in accordance with the law on Taxation at the following rate per annum:

Furniture and fixtures	25%
Office equipment & Computer	50%
Vehicles & Motors	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.

3.8 Foreign currency translation

The Company transacts essentially in UD Dollar (USD) and maintains its books of accounts in USD. Transactions arising in currencies other than USD during the year are converted into USD at the rates of exchange ruling at transaction dates. Assets and Liabilities in foreign currencies are translated in to USD at the rate if exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported on a net basis statement of in come.

In compliance with the requirement of the NBC, all assets, Liabilities, Profit and loss statement items in foreign currencies at the end of the year are converted into Khmer Riel (KHR) using the official exchange rate announced by NBC at the balance sheet date ,of 1 USD=4057 KHR(31 December 2005:KHR 4112). Such conversion 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.

3.9 Other provisions

Provisions are recognized 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 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.

3.11 Deferred taxation

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.

4. Cash and cash equivalents

Cash in Hand	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Cash in hand in Phnom Penh, KHR	78	318	250
Cash in hand in Kompong Trach, KHR	16,447	66,707	6,948
Cash in hand in Kampot, KHR	9,635	39,081	113
Cash in hand in Prey Nup, KHR	3,644	14,782	-
Cash in hand in Phnom Penh, USD	1,683	6,825	1,478
Cash in hand in Kompong Trach, USD	1,326	5,380	1,248
Cash in hand in Kampot, USD	5,022	20,369	749
Cash in hand in Prey Nup, USD	2,147	8,707	-
	<u>39,983</u>	<u>162,169</u>	<u>10,786</u>

5. Deposits and placements with banks

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Acleda Bank Phnom Penh, KHR	305	1,237	-
Acleda Bank kampong Trach, KHR	6,488	26,316	640
Acleda Bank Kampot, KHR	221	898	2,010
Acleda Bank Prey Nup, KHR	98	399	-
Acleda Bank Phnom Penh, USD	756	3,066	-
Acleda Bank kampong Trach, USD	4,600	18,658	-
Acleda Bank Kampot, USD	668	2,709	-
Acleda Bank Prey Nup, USD	100	406	-
Canadia Bank Phnom Penh, UDS	-	-	507
Foreign Trade Bank, USD	5,970	24,215	627
Rural Development Bank, USD	94	383	967
Total cash at banks	<u>19,302</u>	<u>78,287</u>	<u>22,951</u>
Total cash and cash equivalents	<u>59,284</u>	<u>240,457</u>	<u>33,737</u>

6. Statutory deposits with National Bank of Cambodia

The Company is required to maintain a statutory deposit of five percent of its capital to comply with the NBC's Prakas No.B7-00-06 dated 11 January 2000 and Prakas No. B7-02-45 dated 25 February 2002. No interest is earning on this statutory deposit.

7. Loans and advances

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Customer's Loans	1091,495	4,428,196	508,102
Provision for doubtful debts-Specific	(7,221)	(29,297)	(1,500)
	<u>1,084,274</u>	<u>4,398,899</u>	<u>506,602</u>
Provision for loan losses:			
At beginning of year	1,500	6,086	6,369
Charge during the year	6,305	25,578	1,500
Write off during the year	-	-	(4,987)
Write back during the year	(584)	(2,368)	(1,382)
Net Loans	<u>1091,495</u>	<u>4,428,194</u>	<u>508,102</u>

Further classification is as follows:

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Standard Loans			
Secured	1,079,495	4,379,512	496,102
Unsecured	7,000	28,399	7,000
Substandard loans	-	-	-
Secured	-	-	-
Unsecured	-	-	-
Doubtful loans			
Secured	5,000	20,285	-
Unsecured	-	-	5,000
Loss loans			
Secured	-	-	-
Unsecured	-	-	-
	<u>1091,495</u>	<u>4,428,196</u>	<u>508,102</u>

Further analysis of the above loans and advances is provided below.

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
(a) By maturity period			
Within six months	491,173	1,992,688	213,626
Seven to twelve months	600,322	2,435,508	294,476
One to two years	-	-	-
	<u>1,091,495</u>	<u>4,428,196</u>	<u>508,102</u>
(b) By security			
Secured	1,079,495	4,379,512	496,102
Unsecured	12,000	48,684	12,000
	<u>1,091,495</u>	<u>4,428,196</u>	<u>508,102</u>
(c) By Currency denomination			
US Dollar	669,579	2,716,483	344,954
Khmer Riel	421,916	1,711,713	163,148
Others	1,091,495	4,428,196	508,102
(d) By status of residents			
Residents	<u>1,091,495</u>	<u>4,428,196</u>	<u>508,102</u>
(e) By relationship			
Non Related parties	<u>1,091,495</u>	<u>4,428,196</u>	<u>508,102</u>

7. Loans and advances (continued)

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
(f) By type of loans:			
Group loans	286,401	1,161,928	188,335
Individual loans	805,094	3,266,268	319,767
	1,091,495	4,428,196	508,102
(g) By location:			
Prey Nup	27,967	113,646	408,135
Kampot	730,152	2,962,225	51,917
Kep	103,412	419,542	
Phnom Penh	229,964	932,965	48,050
	1,091,495	4,428,196	508,102
(h) By economic sectors:			
Agriculture	253,821	1,029,753	171,880
Trade and commerce	751,305	3,048,044	313,180
Service	29,226	118,572	12,444
Transportation	20,642	83,745	6,317
Construction	3,339	13,544	102
Household/family	29,839	121,057	4,179
Others	3,323	13,481	-
	1,091,495	4,428,196	508,102
(i) By large exposures:			
Non-large exposures	1,091,495	4,428,196	508,102
	1,091,495	4,428,196	508,102

The loans yield interest at the following rates per annum:	31-Dec-06	31-Dec-05
Group loans	30% - 42%	42% - 48%
Individual loans	30% - 42%	30% - 42%

8. Other assets

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
IFR. Loan from customer	78	314	-
Other account receivables	4,895	19,858	-
CHC-Health project	-	-	2,500
Prepaid rent	1,287	5,221	-
Prepaid insurance	100	406	-
Internal account (IA)	1,285	5,214	1,406
Advance to staff	184	747	1,049
Prepayments	3,160	12,820	436
Others	1,729	7,013	58
	12,171	51,593	5,449

9. Property and equipment

	Furniture& Fixture US\$	Office Equipment& Computer US\$	Vehicles & Motors US\$	Land US\$	Total US\$
Cost					
At 1 January 2006	7,357	16,077	13,387	2,600	39,421
Additions	7,839	6,993	14,130	7,850	36,812
Disposals	(618)	(20,822)	(2,686)	-	(5,492)
At 31 December 2006	<u>14,578</u>	<u>20,882</u>	<u>24,831</u>	<u>10,450</u>	<u>70,741</u>
Accumulated depreciation					
At 1 January 2006	2,647	10,179	5,068	-	17,894
Charge for the period	3,137	5,514	5,750	-	14,401
On items sold disposed off/adjustment	(267)	(1,129)	(3,233)	-	(4,629)
At 31 December 2006	<u>5,517</u>	<u>14,564</u>	<u>7,585</u>	<u>-</u>	<u>27,666</u>
Net Book value					
At 31 December 2006	<u>9,061</u>	<u>6,318</u>	<u>17,246</u>	<u>10,450</u>	<u>43,075</u>
At 31 December 2005	<u>4,710</u>	<u>5,898</u>	<u>8,319</u>	<u>2,600</u>	<u>21,527</u>
Depreciation change for the period ended 31 December 2005	<u>1,605</u>	<u>4,766</u>	<u>3,001</u>	<u>-</u>	<u>9,372</u>

9. Property and equipment (Continued)

	Furniture & Fixture KHR'000	Office Equipment & Computer KHR'000	Vehicles & Motors KHR'000	Land KHR'000	Total KHR'000
Cost					
At 1 January 2006	29,847	65,224	54,311	10,548	159,931
Additions	31,803	28,371	57,325	31,847	149,346
Disposals	(2,507)	(8,877)	(10,897)	-	(22,281)
At 31 December 2006	<u>59,143</u>	<u>84,718</u>	<u>100,739</u>	<u>42,396</u>	<u>286,996</u>
Accumulated depreciation					
At 1 January 2006	10,739	41,296	20,561	-	72,596
Charge for the year	12,727	22,370	23,328	-	58,425
On items sold disposed off/adjustment	(1,083)	(4,580)	(13,116)	-	(18,780)
At 31 December 2006	<u>22,382</u>	<u>59,086</u>	<u>30,772</u>	<u>-</u>	<u>112,241</u>
Net Book value					
At 31 December 2006	<u>36,760</u>	<u>25,632</u>	<u>69,967</u>	<u>42,396</u>	<u>174,755</u>
At 31 December 2005	<u>19,108</u>	<u>23,928</u>	<u>33,750</u>	<u>10,548</u>	<u>87,335</u>
Depreciation change for the period ended 31 December 2005	<u>6,511</u>	<u>19,336</u>	<u>12,175</u>	<u>-</u>	<u>38,022</u>

10. Deposits from customers/members

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Deposit in K.P Trach. KHR	5,643	22,894	-
Deposit in Kep city. KHR	915	3,711	4,253
Deposit in Kompot (K.P. Bay)	79	321	337
	<u>6,637</u>	<u>26,926</u>	<u>4,590</u>

This item represents deposits maintained by customers with borrowing from the company.

11. Provision for income tax

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Balance at beginning of year	165	669	-
Charge during the year	2,774	11,254	849
Taxation paid during the year	<u>(2,604)</u>	<u>(10,566)</u>	<u>(684)</u>
Balance at end of year	<u>335</u>	<u>1,358</u>	<u>165</u>

No provision has been made for tax liabilities resulting from permanent differences relating to items not allowed as deduction for tax purposes.

12. Other creditors and accruals

	31-Dec-06		31-Dec-07
	USD	KHR'000	USD
CHC (Health)	7,316	29,680	6,102
Accrued audit fee	-	-	3,100
Provision for withholding tax on rental	1,350	5,476	180
Provision for tax	180	730	158
Personnel expense	5,203	21,107	-
Operating expense	23,839	96,715	-
Unearned revenue	18,363	74,497	-
Provision loan past due	422	1,713	-
Others liabilities	7,241	29,375	2,033
	<u>63,913</u>	<u>259,293</u>	<u>11,573</u>

13. Long term borrowings

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Rural Development Bank (1)	350,000	1,419,950	200,000
Loan from Oikocredit (2)	355,209	1,441,083	-
ETIOS (3)	100,000	405,700	-
	<u>805,209</u>	<u>3266,733</u>	<u>200,000</u>

(1) This represents four lines of credits borrowed from the Rural Development Bank (RDB) totalling to USD 350,000.

The interest rate charged to the Company is nine and eleven percent per annum and commission fees of 1% based on the amount withdrawn. Details of the three lines of credits are as follows:

- First line of credit amounting to USD 50,000 was obtained from RDB on 21 April 2005, at interest rate of 9% per year for a period of three years. Capital reimburses 18 months after the date of loan disbursement.
- Second line of credit amounting to USD 10,000 was obtained from RDB on 16 June 2005, at interest rate of 9% per year for a period of three year. Capital reimburses 18 months after the date of loan disbursement.
- Third line of credit amounting to USD 100,000 was obtained from RDB on 15 September 2006 at interest rate of 9% per year for a period of three year. Capital reimburses 50% after 18 months and 50% after 36 months
- First line of credit amounting to DSD 100,000 was obtained from RDB on 29 November 2006 at interest rate of 9% a year for a period of three years. Capital reimburses 50% after 18 month and 50%v after 36 month.

(2) The loan USD 175,000 bears a fixed rate 10%. The balance represents the local Currency Loan and nears the interest rate from 9% to 11%.

(3) This represent the first disbursement of loan of USD 150,000 from ETIMOS with interest rate 9.5% per annum

14. Share capital

The details of shareholding are as follows:

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
6,500 fully contributed shares of USD 10 each :			
New Capital endowment (Hybrid capital)	87,750	356,002	-
CHC-NGO	45,250	183,579	45,250
CARD-NGO	10,000	40,570	10,000
Dr. Chiv Bunthy	3,250	13,185	3,250
Dr. Sok Thim	3,250	13,185	3,250
Dr. King Kap Kalyan	3,250	13,185	3,250
	<u>65,000</u>	<u>263,705</u>	<u>65,000</u>

15. Subordinated debt/ Ending Fund Balance

CHC-Ltd accepts liability for repaying the total value of the Subordinated Debt to CHC-NGO on the following terms and condition:

- The subordinated Debt will not repayable to CHC-NGO unless CHC-Ltd ceases to provide credit to the population of Cambodia or unless CHC-Ltd elect art its own discretion to repay all or part of the Debt to CHC-NGO.

- CHC-Ltd shall pay to CHC-NGO the interest equal 6% per annum.

16. Interest income

Interest income was made from the following sources:

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Loans and advances	275,157	1,116,313	145,722
interest on bank deposits	111	451	23
	275,268	1,116,764	145,745

17. Non-interest income

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Non-interest income	2,801	11,365	6,559
Gain on disposal of fixed assets	127	514	694
Foreign exchange	14,704	59,655	14,759
Grant Income	8,347	33,866	-
Other income	6	25	153
Extraordinary	584	2,368	-
	26,570	107,793	22,165

18. Other operation expense

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Office Supplies	27,492	111,535	3,528
Advertising	-	-	118
Reception and Entertainment	-	-	360
Telecommunication charge	-	-	1,969
Stationeries and printing costs	-	-	2,223
Conference and meeting	-	-	1,317
Office and IT equipment repairs	957	3,884	997
Office rental	8,860	35,945	4,210
Utilities expense	4,863	19,728	3,679
Insurance premium	120	487	20
Security expense	2,788	11,311	210
Travel and missions	25,702	104,274	14,355
Other general& admin	478	1,939	-
Loss on exchange	-	-	21,213
Professional fees and other related costs	-	-	7,195
Membership/Subscription	772	3,132	-
Village bank/association costs	532	2,156	2,283
Other tax expense	730	2,961	990
Other expense	13,111	53,190	4,136
Rebate/commission to borrowing	9,336	37,876	411
	95,740	388,419	69,214

19. Income tax expense

This represents profit tax at 20% of the current's year profit before tax adjusting for permanent differences relating to items not allowed as deductions for tax purposes.

20. Lease commitments

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
Not later than one year	6,000	24,342	6,000
Later than one year and not later than three years	6,000	24,342	9,000
	12,000	48,684	15,000

21. Maturity analysis

The estimated maturity analysis for certain assets and liabilities as at 31 December 2006 was as follow:

Assets	Total	Less than 1 month	1 month to 1 year	Over 1 year	No fixed maturity date
Cash in hand	39,983	39,983			
Deposit and placement with banks	19,302				19,302
Balances with central bank-current account	270			270	
Statutory deposit with NBC	3,250				3,250
Loans and advances	1,085,191		1,085,191		
Amount due from shareholder	-			-	
Other assets	12,717			12,717	
Property and equipment	43,075			43,075	
Total Assets	1,203,787	39,983	1,085,191	56,062	22,552
Liabilities					
Deposits from customers/member	6,637		6,637		-
Short term borrowings	-		-		-
Provision for income tax	335		335		-
other creditors and accruals	63,913		63,913		
Borrowing from Rural Development Bank	350,000			350,000	
Loans from Oikocredit	355,209			355,209	
Borrowing from ETIMOS	100,000			100,000	
Total Liabilities	876,094	-	70,885	805,209	-
Net Liquidity surplus/(gap)	327,693	39,983	1,014,306	(749,147)	22,552
Net Liquidity surplus/(gap) KHR'000	1,329,451	162,209	4,115,038	(3,039,289)	91,492

CHC-LIMITED (MICRO FINANCE INSTITUTION)

(Incorporated in the Kingdom of Cambodia)

Financial Statements for the year ended 31 December 2006

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 2006**

STATEMENT BY THE BOARD OF DIRECTORS

We, the undersigned, being two of the directors of CHC-LIMITED (Micro Finance Institution), 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 2006. Information and data contained herein is the responsibility of the Company's management.

On behalf of CHC-LIMITED (Micro Finance Institution)

Dr. Sok Thim

Chairman of the Board

Date: 22 February 2007

Mr. King Kap Kalyan

General Manager

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NET WORTH AS AT 31 DECEMBER 2005

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 2006 was calculated as follows:

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
CATEGORY A ITEMS			
Paid up capital	152,750	619,707	65,000
Reserves other than re-evaluation reserves	369	1,499	-
Share premiums		-	-
Provision for general banking risks	739	2,993	-
Current year earnings	19,429	78,823	7,387
Other items approved by NBC	-	-	-
SUB-TOTAL A	173,287	703,027	72,387
CATEGORY B ITEMS			
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dated other than year-end	-	-	-
SUB-TOTAL B	-	-	-
C. BASE NET WORTH (A-B)	173,287	703,027	72,387
CATEGORY D ITEMS			
Revaluation reserve	-	-	-
Subordinated debts	154,407	626,428	242,157
Other items approve by the NBC	-	-	-
SUB-TOTAL D	154,407	626,428	242,157
CATEGORY E ITEMS			
Equity participation in banking of financial institution	-	-	-
Other items	-	-	-
SUB-TOTAL E	-	-	-
F. TOTAL NET WORTH (C+D-E)	327,694	1,329,455	314,544

CHC-LIMITED (MICRO FINANCE INSTITUTION)**(Incorporated in the Kingdom of Cambodia)****Financial Statements for the year ended 31 December 2006****LIQUIDITY RATION AS AT 31 DECEMBER 2006**

In accordance with NBC's *Prakas* No.B7-00-38 dated 9 February 2000 amended by *Prakas* No. B7-02-48 dated 25 February 2002: micro-finance-institution is required to calculate a liquidity ratio which should be at least 100%. Detail of calculated are below:

	31-Dec-06		31-Dec-05
	USD	KHR'000	USD
A. NUMBERATOR			
Debit items:			
Cash	39,983	162,211	10,786
Deposits with the NBC excluding statutory deposit	270		250
Deposits with banks	19,302		22,951
Portion of lending to bank and financial institution with maturity up to one month	-	-	-
Portion of lending to customer up to one month to turn	-	-	-
Treasury bill with maturity up to one month	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	59,555	162,211	33,987
Credit items:			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowing from NBC and banks less than one month to run	-	-	-
Total Credit items	-	-	-
TOTAL A. Lender/ (Borrower) position	59,555	162,211	33,987
B.DENIMIATOR			
Voluntary saving deposits at 25%	-	-	-
TOTAL B	-	-	-
Liquidity ratio (A/B)	Not applicable		Not applicable

CHC-LIMITED (MICRO FINANCE INSTITUTION)**(Incorporated in the Kingdom of Cambodia)****Financial Statements for the year ended 31 December 2006****CAPITAL ADEQUACY RATION AS AT 31 DECEMBER 2006**

In accordance with the NBC's Prakas No. B7-00-06 date 11 January 2000; all micro-finance institutions shall observe a solvency ration of the net worth to their aggregate credit risk exposure. The result found shall not be less than 20 percent.

		31-Dec-06		31-Dec-05
	Weighing	USD	KHR'000	USD
NUMBERATOR				
A. Net worth as at 31 December 2006		<u>327,694</u>	<u>1,329,455</u>	<u>314,544</u>
DENOMINATOR				
Cash in hand	0%	-	-	
Deposits with the NBC	0%	-	-	
Claims on banks rated AAA to AA-	20%	-	-	
Claims on banks rated A+ to A-	50%	-	-	
Other assets	100%	1,160,284	4,707,272	566,279
B. Total risk-weighting assets		<u>1,160,284</u>	<u>4,707,272</u>	<u>566,279</u>
CAPITAL ADEQUACY RATIO (A/B)		29%		57%

CHC-LIMITED (MICRO FINANCE INSTITUTION)
Financial Statements for the year ended 31 December 2006

LOAN CLASSIFICATION AND PROVISION FOR BAD DOUNBTFUL DEBTS

In accordance with the NBC's Prakas No. B7-02-186 dated September 2002; micro-finance institutions shall classify their loan portfolio into four classes as standard, substandard, doubtful and lost, and record specific provisions regardless of the assets (except cash) lodged as collateral. The loan classification and provision for bad and doubtful debts are at 31 December 2006 are as follow:

	Principal Loans USD	% of Provision %	NBC's Standard US\$	Company's Provision US\$	Difference US\$
As at 31 December 2006					
Standard		0			
Substandard	183	10	18	18	-
Doubtful	682	30	205	205	-
Lost	7,582	100	7,582	6,998	584
	8,448		7,805	7,221	584
Other provision	-		-	-	-
	8,448		7,805	7,221	584
Equivalent	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard		0			
Substandard	742	10	74	74	-
Doubtful	2,768	30	830	830	-
Lost	30,761	100	30,761	28,391	2,370
	34,272		31,666	29,296	2,370
Other Provision	-		-	-	-
	34,272		31,666	29,296	2,370

CHC-LIMITED (MICRO FINANCE INSTITUTION)
Financial Statements for the year ended 31 December 2006

FOREIGN CURRENCY TRANSACTIONS

In accordance with the NBC's Prakas No. 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 were as follows:

	31-Dec-06		31-Dec-05
	US\$	KHR'000	US\$
	or equivalents	or equivalents	or equivalents
Assets:			
US Dollar	744,447	3,020,221	205,538
Khmer Riel	459,340	1,863,542	375,027
	<u>1,203,787</u>	<u>4,883,764</u>	<u>580,565</u>
Liabilities			
US Dollar	690,308	2,800,580	59,541
Khmer Riel	185,785	753,730	6,480
	<u>876,093</u>	<u>3,554,309</u>	<u>66,021</u>

CHC-LIMITED (MICRO FINANCE INSTITUTION)
Financial Statements for the year ended 31 December 2006

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

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

The Company's paid-up capital at the balance sheet dates is USD 65,000 (equivalent to approximately 263 million Riels)

The Company's hybrid capital USD 87,750 (equivalent to approximately 356 millions Riels)

. Large exposures

Under the provision 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 operation with each individual beneficiary and their net worth.

The company has no large exposure at the balance sheet date.

