



PRASAC CREDIT ASSOCIATION

**Financial Statements
and
Auditors' report
31 December 2004**

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Supervising committee report

The supervising committee have pleasure in submitting their report together with the audited financial statements of PRASAC Credit Association ("PCA") for the year ended 31 December 2004.

Principal activity

The principal activity of PCA was to provide micro-finance services to the rural population of Cambodia through its head office in Phnom Penh and its various provincial offices. Its mission is to create sustainable access to financial services for rural communities and micro-enterprises. PCA envisages to support the development of a sustainable micro-finance sector based on Khmer Riel ("KHR"), the national currency, and is therefore committed to conduct all lending and other micro-finance operations exclusively in KHR.

Financial results

The financial results of the PCA for the year ended 31 December 2004 are set out in the statement of income on page 7.

Reserves and provisions

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

Bad and doubtful loans

Before the statement of income and balance sheet of the PCA were made out, the supervising committee 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 supervising committee are 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 PCA, inadequate to any substantial extent.

Current assets

Before the statement of income and balance sheet of the PCA were made out, the supervising committee 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 value as shown in the accounting records of the PCA have been written down to an amount which they might be expected to realise.

At the date of this report, the supervising committee are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the PCA misleading.

Valuation methods

At the date of this report, the supervising committee 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 PCA 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 PCA 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 PCA 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 PCA 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 supervising committee, will or may substantially affect the ability of the PRASAC MFI Ltd to meet inherited obligations of PCA as and when they fall due.

Change of circumstances

At the date of this report, the supervising committee is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the PCA, which would render any amount stated in the financial statements as misleading.

Items of unusual nature

The results of the operations of the PCA for the financial year were not, in the opinion of the supervising committee, 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 supervising committee, which affect substantially the results of the operations of the PCA for the current financial year in which this report is made.

The supervising committee

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

- H.E. Chou Kimleng, Chairman
- Mr Chan Seyha, Member
- Mr Oum Sam Oeun, Member
- Mr Lauv Ny, Member
- Mr Tom Von Weissenberg, Member
- Mr Sim Senacheert, Observer
- Mr Tony Felts, Observer

No members held any interest in the equity of the PCA. No arrangements existed to which the PCA is a party with the object of enabling the members to obtain an interest in the PCA or in any body corporate. No member has a benefit, other than remuneration, by reason of a contract made by the PCA or related party.

Responsibilities of the supervising committee in respect of the financial statements

The supervising committee 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 PCA as at 31 December 2004, and of the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the supervising committee is required to:

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

The supervising committee confirms that the PCA has complied with the above requirements in preparing the financial statements.

Significant events

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

On behalf of the supervising committee



H.E. Chou Kimleng
Chairman

Date: *31 May 2005*



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Report of the independent auditors To the supervising committee

We have audited the accompanying balance sheet of PRASAC Credit Association as at 31 December 2004 and the related statements of income, changes in equity and cash flows for the year then ended. The preparation of the financial statements is the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Association for the preceding year were audited by another firm of auditors whose report dated 28 April 2004, expressed a qualified opinion due to, (a) unable to audit the opening balance as at 1 January 2003, (b) uncertainty as to the adequacy of the provision for bad and doubtful loans and related accrued interest and the inconsistent methods and rates of property and equipment depreciation.

We conducted our audit in accordance with Cambodian Standards on Auditing and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 December 2004, and of the results of its operations, and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and other generally accepted accounting principles in Cambodia and the National Bank of Cambodia Guidelines.

Without qualifying our opinion we draw attention to Note 1 to the financial statements. Effective 31 December 2004 the net assets and operations of the Association were transferred to PRASAC MFI Ltd, a newly incorporated private licensed microfinance institution in Cambodia. The net assets were transferred at the values indicated in the accompanying balance sheet.

KPMG Cambodia Ltd

KPMG Cambodia Ltd

Phnom Penh

31 May 2005



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

PRASAC Credit Association

Balance sheet 31 December 2004

	Note	2004 KHR'000	2003 KHR'000
Assets			
Cash on hand	3	1,023,387	1,880,632
Deposits with banks	4	1,163,406	4,045,358
Current accounts with National Bank of Cambodia	5	726,211	1,556,670
Loans to customers	6	31,449,490	22,393,932
Interest receivable and other assets	7	1,687,571	3,751,249
Property and equipment	8	256,907	435,218
		<hr/>	<hr/>
		36,306,972	34,063,059
		<hr/>	<hr/>
Liabilities			
Deposits	9	792,033	-
Accruals and payables	10	840,266	1,194,749
		<hr/>	<hr/>
Total liabilities		1,632,299	1,194,749
		<hr/>	<hr/>
Equity			
Credit fund		14,747,186	15,064,545
Operating expenses fund		6,618,587	6,618,587
Property and equipment fund		687,826	687,826
Retained earnings		12,621,074	10,497,352
		<hr/>	<hr/>
Total equity		34,674,673	32,868,310
		<hr/>	<hr/>
		36,306,972	34,063,059
		<hr/>	<hr/>

The accompanying notes form part of these financial statements

PRASAC Credit Association

Statement of income Year ended 31 December 2004

	Note	2004 KHR'000	2003 KHR'000
Interest income	11	8,995,444	9,644,001
Other operating income	12	449,172	167,893
		<hr/>	<hr/>
		9,444,616	9,811,894
Fee and commission expense		(190,446)	(583,083)
Provision for bad and doubtful loans	6	(901,663)	(2,054,607)
Operating and other expenses	13	(6,228,785)	(5,246,062)
		<hr/>	<hr/>
Net operating income		2,123,722	1,928,142
		<hr/>	<hr/>
Funds received for training and technical assistance		-	32,132
		<hr/>	<hr/>
Net profit	14	2,123,722	1,960,274
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements

PRASAC Credit Association

Statement of changes in equity Year ended 31 December 2004

	Credit fund KHR'000	Operating expenses fund KHR'000	Property and equipment fund KHR'000	Training and technical assistance fund KHR'000	Retained earnings KHR'000	Total KHR'000
As at 1 January 2003	12,189,859	6,371,074	687,826	-	8,559,122	27,807,881
Funds and grants received during the year	2,874,686	247,513	-	32,132	-	3,154,331
Transferred to statement of income	-	-	-	(32,132)	-	(32,132)
Net profit for the year	-	-	-	-	1,960,274	1,960,274
Transferred to liabilities	-	-	-	-	(22,044)	(22,044)
As at 31 December 2003	15,064,545	6,618,587	687,826	-	10,497,352	32,868,310
Transferred to Cambodia Rural Development Foundation	(317,359)	-	-	-	-	(317,359)
Net profit for the year	-	-	-	-	2,123,722	2,123,722
As at 31 December 2004	14,747,186	6,618,587	687,826	-	12,621,074	34,674,673

The accompanying notes form part of these financial statements

PRASAC Credit Association

Statement of cash flows Year ended 31 December 2004

	2004 KHR'000	2003 KHR'000
Operating activities		
Net profit	2,123,722	1,960,274
Adjustments for Depreciation of property and equipment	281,844	283,352
	<hr/>	<hr/>
Cash generated from operations before changes in operating assets and liabilities	2,405,566	2,243,626
(Increase)/decrease:		
Loans to customers	(9,055,558)	773,143
Other receivables	2,063,678	(939,668)
Increase/(decrease):		
Deposits	792,033	-
Accruals and payables	(354,483)	1,100,229
	<hr/>	<hr/>
Net cash (used in)/generated from operations	(4,148,764)	3,177,330
	<hr/>	<hr/>
Investing activities		
Acquisition of property and equipment	(103,533)	(160,144)
	<hr/>	<hr/>
Net cash used in investing activities	(103,533)	(160,144)
	<hr/>	<hr/>
Financing activities		
Transferred to Cambodia Rural Development Foundation	(317,359)	-
Subsidies for credit fund	-	2,874,686
Subsidies for operating expenses	-	247,513
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(317,359)	3,122,199
	<hr/>	<hr/>

PRASAC Credit Association

Statement of cash flows (continued) Year ended 31 December 2004

	Note	2004 KHR'000	2003 KHR'000
Net (decrease)/increase in cash and cash equivalents		(4,569,656)	6,139,385
Cash and cash equivalents at beginning of year		7,482,660	1,343,275
Cash and cash equivalents at end of year		<u>2,913,004</u>	<u>7,482,660</u>
Cash and cash equivalents comprise:			
Cash on hand		1,023,387	1,880,632
Deposits with banks		1,163,406	4,045,358
Deposits with National Bank of Cambodia		726,211	1,556,670
		<u>2,913,004</u>	<u>7,482,660</u>

The accompanying notes form part of these financial statements

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

1. Background and activities

(a) Background

PRASAC Credit Association (“PCA” or “the Association”) was registered in Cambodia on March 22, 2002 by the National Bank of Cambodia as a rural credit operator. Upon registration the Association assumed responsibility for management of the credit component of the PRASAC Programme (Programme de Rehabilitation et d’Appui au Secteur Agricole du Cambodge) project. The project, funded by the European Commission (“EC”), started in 1995 as a support programme for the agricultural sector in Cambodia, covering six provinces around Phnom Penh with agricultural, rural infrastructure, community development, institutional strengthening, and credit and micro-enterprise components. It was formally closed in December 2003.

The principal activity of PCA is to provide micro-finance services to the rural population of Cambodia through its head office in Phnom Penh and its various provincial offices. As at 31 December 2004, the Association had 12 branch offices with 27 sub branches and 10 post-offices and 372 employees (2003: 210) operating in 11 provinces.

The formation of PCA was an intermediate step in a plan to institutionalise the project's credit component in a private licensed microfinance institution. On 12 August 2004 PRASAC MFI Ltd was incorporated in Cambodia under registration No. Co.6931/04P with Cambodia Rural Development Foundation (95%) and PRASAC Staff Company Limited (5%) as initial shareholders. On 15 November 2004 PRASAC MFI Ltd obtained its license as a microfinance institution from the National Bank of Cambodia with three years validity from 1 December 2004 to 1 December 2007.

Effective 31 December 2004, by Memoranda of Understanding dated 10 May 2005 between the Royal Government of Cambodia (“RGC”) and the European Commission, the EC transferred ownership of the net assets and micro-lending operations of PCA to the RGC, which were immediately and permanently transferred to PRASAC MFI Ltd, in exchange for a subordinated loan equal to the value of the net assets transferred, payable to the RGC. The assets which were transferred constitute the assets and liabilities disclosed in the balance sheet of PCA as at 31 December 2004, at the values indicated in the balance sheet.

These financial statements disclose the assets and liabilities of the Association immediately prior to the transfer.

2. Significant accounting policies

(a) Basis of accounting

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

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

2. Significant accounting policies (continued)

(b) Financial statements of branches

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

(c) Financial instruments

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

(d) Segment information

The Association 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 Association transacts primarily in and maintains its accounting records in Khmer Riel ("KHR").

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

(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.

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

2. Significant accounting policies (continued)

(g) Loans to customers

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

The Association measures the quality of its loan portfolio by using portfolio quality ratios such as portfolio-at-risk (PAR), repayment rate, arrear rate, and loan loss ratio. The Association does not restructure loans.

(h) Allowance 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
<u>Short term loan</u>		
Substandard	31 – 60 days	10%
Doubtful	61 – 90 days	30%
Loss	Over 90 days	100%
<u>Long term loan</u>		
Substandard	31 – 180 days	0%
Doubtful	181 – 360 days	30%
Loss	Over 360 days	100%

The provision is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrual interest. The provision is charged to the income statement for the month during which the corresponding loan has been as non-performing. Interest on non-performing loans is accrued but not recorded as income until the loan ceases to be non-performing. The analysis of overdue loans is set out in the *Appendix*.

In addition, a general allowance based on a percentage of total outstanding loans and advances (including accrued interest), net of interest-in-suspense and specific provisions for bad and doubtful loans and advances is maintained by the Association against risks, which are not specifically identified.

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

2. Significant accounting policies (continued)

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

Recoveries on loans previously written off and reversal of previous provisions are disclosed as a deduction from the bad debts and doubtful accounts expense in the statement of income.

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

(i) Deposits with banks

Deposits and placements with banks are carried at cost.

(j) Other receivables

Other receivables are carried at estimated realisable value.

(k) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Transferred property and equipment, are recorded at their original cost and accumulated depreciation as at the date of transfer the Association. 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 statement of income on a straight-line basis over the estimated useful lives of the individual assets:

Office furniture and fixtures	4 year
Vehicles	4 year
Motorcycles	4 year
Computers and peripherals	2 year
Communication equipment	4 year

Effective 1 January 2004, the depreciation methods and rates for property and equipment of the Association's head offices was changed to be consistent with the above method and rates.

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

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 Association. 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 statement of income on the date of retirement or disposal.
- (v) Fully depreciated 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 statement of income immediately.

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

(l) Provisions

A provision is recognised in the balance sheet when the Association 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.

(m) Deposits

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

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

2. Significant accounting policies (continued)

(n) Income and expense recognition

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

Commission and fee income and expenses are recognised in the statement of income when the transaction occurs.

(o) Operating lease

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

(p) Funds and grants

Grants received to compensate for technical assistance and training costs are recognised as income in the same period as the related expenses is recorded.

Funds received to finance lending operations (“credit fund”) and subsidise operating expenses are shown as direct additions to the respective equity accounts.

(q) Related parties

Parties are considered to be related to the Association 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 Association 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 Association or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Association.

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

3. Cash on hand

	2004 KHR'000	2003 KHR'000
Head office	4,506	23,142
Provincial branches		
Kompong Cham	101,119	218,840
Cheung Prey	143,244	206,843
Tbong Khmum	65,228	-
Kompong Chnang	66,318	64,184
Kompong Tralach	55,332	51,723
Takeo	27,038	94,835
Prey Kabas	6,636	126,586
Kompng Speu	19,747	169,494
Kong Pisey	50,785	142,998
Prey Veng	317,553	323,609
Neak Leung	46,061	187,058
Svay Rieng	112,908	157,368
Chan Trea	6,912	113,952
	<u>1,023,387</u>	<u>1,880,632</u>

4. Deposits with banks

	2004 KHR'000	2003 KHR'000
Canadia Bank Plc	377	377
Foreign Trade Bank of Cambodia	1,163,029	4,044,981
	<u>1,163,406</u>	<u>4,045,358</u>

Deposits are all in the domestic banks, mature within three months and are analysed as follow:

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

4. Deposits with banks (continued)

a) By type and currency:

	2004 KHR'000	2003 KHR'000
Current account:		
Khmer Riel	377	377
Savings account:		
US Dollars	33,818	260,606
Khmer Riel	445,139	780,136
Fixed account:		
US Dollars	4,407	4,239
Khmer Riel	679,665	3,000,000
	<hr/>	<hr/>
	1,163,406	4,045,358
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b) By interest rate (per annum):

Current account	Nil
Saving account:	
Foreign Trade Bank of Cambodia	1% - 1.5%
Fixed deposit account:	
Foreign Trade Bank of Cambodia	3% - 4.5%

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

5. Current accounts with the National Bank of Cambodia

	2004 KHR'000	2003 KHR'000
Branches		
Kompong Cham	100,200	200
Cheung Prey	113,000	250,000
Kompong Chhnang	22	150,003
Kompong Tralach	95,019	19
Takeo	938	1,408
Prey Kabas	979	1,786
Kompong Speu	11,000	453,179
Kong Pisey	56,700	152,000
Prey Veng	105,189	244,239
Neak Leung	3,955	907
Svay Rieng	155,399	286,849
Chan Trea	83,810	16,080
	<hr/>	<hr/>
	726,211	1,556,670
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PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

6. Loans to customers

	2004 KHR'000	2003 KHR'000
Group loans	12,392,323	14,090,330
Individual loans	21,600,179	12,455,257
	<u>33,992,502</u>	<u>26,545,587</u>
Allowances for bad and doubtful loans		
Specific	(1,581,462)	(2,566,236)
General	(961,550)	(1,585,419)
	<u>(2,543,012)</u>	<u>(4,151,655)</u>
	<u>31,449,490</u>	<u>22,393,932</u>

The above loans are analysed as follows:

a) By maturity:

	2004 KHR'000	2003 KHR'000
Less than 1 month	3,483,920	4,788,258
From 1 month to 3 months	5,469,659	5,422,837
From 3 months to 1 year	21,622,046	14,557,573
Over 1 year	3,416,877	1,776,919
	<u>33,992,502</u>	<u>26,545,587</u>

b) By term, collateral, repayment, and interest rate:

	Group loans	Individual loans
Term	4 to 10 months	4 to 24 months
Collateral	-	Principally land
Principal repayments	End of term	Monthly basis
Interest repayments	Monthly basis	Monthly basis
Annual interest rates	36 to 48%	36 to 42%

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

6. Loans to customers (continued)

c) By economic sectors and PAR analysis:

	2004 KHR'000	2003 KHR'000
Agriculture	22,005,197	16,796,749
Overdue ¹	755,109	1,766,588
PAR amount ²	784,884	1,768,282
PAR ratio ³	3.57%	10.53%
Trade and Commerce	6,479,370	6,355,527
Overdue	826,242	1,600,296
PAR amount	875,727	1,837,614
PAR ratio	13.52%	28.91%
Service	3,265,104	1,598,269
Overdue	81,710	7,665
PAR amount	92,876	27,088
PAR ratio	2.84%	1.69%
Transportation	1,154,664	498,623
Overdue	18,729	1,070
PAR amount	37,030	5,350
PAR ratio	3.21%	1.07%
Construction	122,776	69,344
Overdue	3,592	168
PAR amount	4,638	-
PAR ratio	3.78%	-
Household/Family	179,882	271,722
Overdue	11,283	191
PAR amount	11,667	-
PAR ratio	6.49%	-
Others	785,509	955,353
Overdue	67,547	110,975
PAR amount	80,728	132,794
PAR ratio	10.28%	13.90%
Total	33,992,502	26,545,587
Overdue	1,764,212	3,486,953
PAR amount	1,887,550	3,771,128
PAR ratio	5.55%	14.21%

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

6. Loans to customers (continued)

c) By economic sectors and PAR analysis: (continued)

- 1- Overdue: Non-performing loans excluding current portions
 2- PAR amount: Non performing loans including current portions
 3- PAR ratio: PAR amount / Outstanding

d) By performance (NBC Guidelines):

	2004 KHR'000	2003 KHR'000
Standard loans		
Secured	20,226,375	10,874,121
Unsecured	11,878,577	11,900,337
Substandard loans		
Secured	154,537	486,771
Unsecured	21,165	414,250
Doubtful loans		
Secured	182,506	301,764
Unsecured	11,565	210,447
Loss loans		
Secured	1,036,761	792,600
Unsecured	481,016	1,565,297
	<u>33,992,502</u>	<u>26,545,587</u>

e) By currency:

Khmer Riel	<u>33,992,502</u>	<u>26,545,587</u>
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f) By residency status:

Residents	<u>33,992,502</u>	<u>26,545,587</u>
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g) By relationship:

External customers	33,981,151	26,545,587
Staff	11,351	-
	<u>33,992,502</u>	<u>26,545,587</u>

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

6. Loans to customers (continued)

h) By branch:

	2004 KHR'000	2003 KHR'000
Head office	11,351	-
Kompong Cham	2,381,989	2,426,820
Cheung Prey	2,502,019	2,909,837
Tbong Khmum	1,489,383	-
Kompong Chhnang	1,979,473	2,529,409
Kompong Tralach	2,894,616	1,871,176
Baribour	1,334,076	-
Takeo	5,972,515	3,708,179
Prey Kabas	2,437,643	1,839,741
Kompong Speu	2,465,430	1,247,561
Kong Pisey	1,933,937	1,234,108
Prey Veng	4,094,330	2,885,421
Neak Leung	3,321,931	2,857,300
Svay Rieng	1,025,297	1,794,287
Chan Trea	148,512	1,241,748
	<hr/>	<hr/>
	33,992,502	26,545,587
	<hr/> <hr/>	<hr/> <hr/>

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

6. Loans to customers (continued)

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

	2004 KHR'000	2003 KHR'000
Balance at beginning of year	4,151,655	2,074,235
Provision for the year	1,089,629	2,077,420
Loans written-off	(2,698,272)	-
	<hr/>	<hr/>
Balance at end of year	2,543,012	4,151,655
	<hr/> <hr/>	<hr/> <hr/>

The bad and doubtful loans expense is as follows:

	2004 KHR'000	2003 KHR'000
Provision for the year	1,089,629	2,077,420
Recovery of loans written-off previously	(187,966)	(22,813)
	<hr/>	<hr/>
Balance at end of year	901,663	2,054,607
	<hr/> <hr/>	<hr/> <hr/>

7. Interest receivable and other assets

	2004 KHR'000	2003 KHR'000
Accrued interest receivable	2,474,867	3,692,531
Interest in suspense	(852,103)	(1,281,535)
	<hr/>	<hr/>
	1,622,764	2,410,996
Staff advances	26,720	-
Prepaid rent	37,847	40,518
Other	240	-
Accrued seed capital receivable	-	1,299,735
	<hr/>	<hr/>
	1,687,571	3,751,249
	<hr/> <hr/>	<hr/> <hr/>

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

8. Property and equipment

	Office furniture and fixtures KHR'000	Vehicles KHR'000	Motorcycles KHR'000	Computers and peripherals KHR'000	Commu- nication equipment KHR'000	Total KHR'000
Cost						
At 1 January 2004	378,337	199,886	436,233	393,352	100,792	1,508,600
Additions	17,621	-	-	85,912	-	103,533
At 31 December 2004	<u>395,958</u>	<u>199,886</u>	<u>436,233</u>	<u>479,264</u>	<u>100,792</u>	<u>1,612,133</u>
Less: Accumulated depreciation						
At 1 January 2004	138,698	167,949	393,832	290,705	82,198	1,073,382
Charge for the year	145,460	17,868	6,115	108,842	3,559	281,844
At 31 December 2004	<u>284,158</u>	<u>185,817</u>	<u>399,947</u>	<u>399,547</u>	<u>85,757</u>	<u>1,355,226</u>
Net book value						
At 31 December 2004	<u>111,800</u>	<u>14,069</u>	<u>36,286</u>	<u>79,717</u>	<u>15,035</u>	<u>256,907</u>
At 31 December 2003	<u>239,639</u>	<u>31,937</u>	<u>42,401</u>	<u>102,647</u>	<u>18,594</u>	<u>435,218</u>

9. Deposits

The deposits constitute a staff Provident Fund for the Association's employees. The funds are deposited in an interest-bearing account held by the Association. The funds are paid with interest to the employees upon their retirement or resignation.

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

10. Accruals and payables

	2004 KHR'000	2003 KHR'000
Staff accrued expenses	459,397	153,529
Annual pension fund allocation	133,996	823,687
Accrued operating expenses and others	137,012	6,536
Accrued rebates	79,151	168,894
Other deposits	30,710	25,456
Provision for possible losses	-	16,647
	<u>840,266</u>	<u>1,194,749</u>

11. Interest income

	2004 KHR'000	2003 KHR'000
Group loans	3,929,721	7,114,163
Individual loans	5,065,723	2,529,838
	<u>8,995,444</u>	<u>9,644,001</u>

12. Other operating income

	2004 KHR'000	2003 KHR'000
Interest from bank	235,140	15,937
Penalty income	115,591	83,638
Other income	98,389	18,010
Fees and commissions	52	50,308
	<u>449,172</u>	<u>167,893</u>

There were no material in-kind donations or subsidies during the year.

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

13. Operating and other expenses

	2004 KHR'000	2003 KHR'000
Personnel expenses	3,972,787	3,323,719
Office running costs	1,097,448	835,666
Travel expenses	839,501	496,143
Depreciation and amortisation	281,844	283,352
Bank charges	15,262	6,058
Donations and public relations	9,808	15,911
Occupancy expenses	6,389	255,696
Loss on foreign exchange	5,746	12,870
Provision for possible losses	-	16,647
	<hr/>	<hr/>
	6,228,785	5,246,062
	<hr/> <hr/>	<hr/> <hr/>

14. Income taxes

The Association is not liable for income taxes on its profits.

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

15. Financial risk management policies

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

a) Operational risk

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

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

b) Credit risk

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

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

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

15. Financial risk management policies (continued)

c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by mark-to-market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Association maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

(ii) Interest rate risk

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

d) Liquidity risk

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

In addition to full compliance of all liquidity requirements, the management of the Association 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.

16. Fair values of financial assets and liabilities

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

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

17. Transfer of assets and operations to PRASAC MFI Ltd

Effectively 31 December 2004, the net assets and micro-lending operations of the Association were transferred to PRASAC MFI Ltd (Note 1), as follows:

	KHR'000
Assets	
Cash and bank balances	2,913,004
Loans to customers	31,449,490
Interest receivables and other assets	1,687,571
Property and equipment	256,907
	<hr/>
Total assets transferred	36,306,972
	<hr/>
Liabilities	
Deposits	792,033
Accruals and payables	840,266
	<hr/>
Total liabilities transferred	1,632,299
	<hr/>
Net assets transferred	34,674,673
	<hr/> <hr/>

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

18. Currency analysis

An analysis of the Association assets and liabilities, by currency, is as follows:

	31 December 2004			31 December 2003		
	US\$ (KHR'000 equivalent)	KHR'000	Total	US\$ (KHR'000 equivalent)	KHR'000	Total
Assets						
Cash in hand	2,870	1,020,517	1,023,387	19,450	1,861,182	1,880,632
Deposits with banks	38,225	1,125,181	1,163,406	264,845	3,780,513	4,045,358
Current accounts with the National Bank of Cambodia	-	726,211	726,211	-	1,556,670	1,556,670
Loans to customers	-	31,449,490	31,449,490	-	22,393,932	22,393,932
Interest receivable and other assets	-	1,687,571	1,687,571	-	3,751,249	3,751,249
Property and equipment	-	256,907	256,907	-	435,218	435,218
Total assets	41,095	36,265,877	36,306,972	284,295	33,778,764	34,063,059
Liabilities						
Deposits	-	792,033	792,033	-	-	-
Accruals payables	-	840,266	840,266	-	1,194,749	1,194,749
Total liabilities	-	1,632,299	1,632,299	-	1,194,749	1,194,749
Net asset position	41,095	34,633,578	34,674,673	284,295	32,584,015	32,868,310

PRASAC Credit Association

Notes to the financial statements (continued) 31 December 2004

19. Maturity profile

The maturity profile of assets and liabilities (in KHR'000) as at 31 December 2004 is as follows:

	Total	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity date
31 December 2004							
Assets							
Cash in hand	1,023,387	1,023,387	-	-	-	-	-
Balance with banks	1,163,406	1,163,406	-	-	-	-	-
Current account with the National Bank of Cambodia	726,211	726,211	-	-	-	-	-
Loans to customers	31,449,490	940,908	5,469,659	21,622,046	3,416,877	-	-
Interest receivable and other assets	1,687,571	1,687,571	-	-	-	-	-
Property and equipment	256,907	-	-	-	-	-	256,907
Total assets	36,306,972	4,720,703	4,559,865	20,783,810	5,985,687	-	256,907
Liabilities							
Deposits	792,033	-	-	792,033	-	-	-
Accruals and payables	840,266	840,266	-	-	-	-	-
Total liabilities	1,632,299	840,266	-	792,033	-	-	-
Net liquidity surplus	34,674,673	3,880,437	4,559,865	19,991,777	5,985,687	-	256,907

PRASAC Credit Association

Appendix 31 December 2004

Analysis of overdue loans

Outstanding as at 31 December 2004

	Principal Balance KHR'000	Installment Total KHR'000	Disbursed before 2002 KHR'000	Overdue		
				Disbursed in 2002 KHR'000	Disbursed in 2003 KHR'000	Disbursed in 2004 KHR'000
Business failure	556,876	434,015	-	75,946	352,375	5,694
Flooding, drought and other natural disaster	662,914	204,739	-	271	203,444	1,023
Diseases, death	36,583	31,248	-	4,063	26,117	1,068
Moved away	206,697	178,824	-	21,839	148,527	8,458
Willful default, political influence	105,466	160,423	1,415	14,038	143,632	1,339
On-lent, over capacity, paid other debt	262,267	254,783	-	42,682	207,967	4,134
Improper assessment of credit worthiness	211,167	219,006	-	32,017	186,981	8
Other reasons	67,545	281,039	2,943	16,726	189,967	71,403
Overdue Loans	2,109,514	1,764,078	4,358	207,582	1,459,010	93,128
Performing Loans	31,882,989	-	-	-	-	-
Total Loans	33,992,503	1,764,078	4,358	207,582	1,459,010	93,128

PRASAC Credit Association

Appendix (continued)
31 December 2004

Analysis of overdue loans

	Principal Balance KHR'000	Outstanding as at 31 December 2003			Disbursed in 2003 KHR'000
		Installment Total KHR'000	Disbursed before 2002 KHR'000	Overdue Disbursed in 2002 KHR'000	
Business failure	1,311,014	1,065,682	117,288	488,268	460,127
Flooding, drought and other natural disaster	593,758	574,015	12,105	293,137	268,773
Diseases, death	27,511	24,978	2,522	17,544	4,912
Moved away	851,104	781,173	22,000	331,738	427,436
Willful default, political influence	179,069	130,592	4,137	57,613	68,841
On-lent, over capacity, paid other debt	316,474	242,390	14,900	151,188	76,303
Improper assessment of credit	438,806	350,430	16,795	133,351	200,285
Other reasons	779,732	317,693	50,762	156,573	110,358
Overdue Loans	4,497,467	3,486,954	240,509	1,629,412	1,617,033
Performing Loans	22,048,120	-	-	-	-
Total Loans	26,545,587	3,486,954	240,509	1,629,412	1,617,033

PRASAC CREDIT ASSOCIATION

**Supplementary Financial Information
31 December 2004**



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PRASAC CREDIT ASSOCIATION

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

Date: ២១ May 2005

Statement by the Supervising Committee on the Supplementary Financial Information

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

On behalf of the supervising committee,



H.E Chou Kimheng
Chairman

PRASAC Credit Association

Supplementary financial information

1. Limitation

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

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

2. Significant financial information

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

Schedule			
Ref	Financial Information	Prakas	31 December 2004 KHR'000 (if not in %)
I	Capital adequacy ratio	B7-00-46	98.35%
II	Liquidity ratio	B7-02-48	>100%
III	Loan classification	B7-02-186	
	<u>Short-term loan:</u>		
	Standard		24,312,933
	Sub-standard		54,642
	Doubtful		25,574
	Loss		1,020,184
	<u>Long-term loan:</u>		
	Standard		7,792,019
	Sub-standard		121,060
	Doubtful		168,497
	Loss		497,593
			<hr/>
			33,992,502
			<hr/> <hr/>

PRASAC Credit Association

Supplementary financial information

2. Significant financial information (continued)

Schedule	Ref	Financial Information	Prakas	31 December 2004 KHR'000 (if not in %)
		Provision for bad and doubtful debts		
		NBC's benchmark		1,581,462
		PCA's provision		2,543,012
		Delinquency ratio		5.55%
IV		Large exposure	B7-00-06	-

3. Other ratios

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

1.	Equity to total assets	95.50%
2.	Capital tier I to total assets	34.76%
3.	Capital tier I to risk weighted assets	36.52%
4.	Capital tier 1 + tier 2 to risk weighted assets	98.35%
5.	Net worth to total assets	93.61%
6.	Solvency ratio	98.35%
7.	Debts to total assets	4.50%
8.	Debt to equity	4.71%
9.	Dividend to net profit	-
10.	NPL to total loans	5.55%
11.	NPL to total assets	5.20%
12.	Loan to related parties to total loans	-
13.	Large exposure to total loans	-
14.	Loan to related parties to net worth	-
15.	Large exposure to net worth	-
16.	General provision to total loans	2.83%
17.	Specific provision to total loans	4.65%
18.	Specific provision to NPL	83.78%
19.	All allowances to total assets	7.00%
20.	Loans to deposits	>100%
21.	Return on assets	5.85%
22.	Return on equity	6.12%
23.	Gross yield	24.78%
24.	Net interest margin (NIM) to total assets	24.77%
25.	Other income to total assets	6.19%
26.	Provision to total assets	3.00%
27.	Overhead to total assets	25.11%
28.	Net income before tax to total assets	5.85%

PRASAC Credit Association

Supplementary financial information

3. Other ratios (continued)

29.	Tax to total assets	-
30.	Interest margin to gross income	80.00%
31.	Non-interest income to gross income	19.98%
32.	Non-interest expense to gross income	81.09%
33.	Times interest earned	877.85%
34.	Liquid asset	10.61%
35.	Short-term liabilities	4.50%
36.	Net liquid assets	136.10%
37.	Quick ratio	178.46%
38.	Deposits to total loans	-

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

PRASAC Credit Association

Supplementary financial information

Schedule I – Capital adequacy ratio

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

	Weighing	31 December 2004 KHR'000
Numerator: Eligible capital		
Core capital		
Paid in capital		-
Reserves		-
Retained earnings		10,497,352
Net profit for the year		2,123,722
Less: unpaid capital		
Loan to related parties		-
Intangible assets		-
Total core capital		<hr/> 12,621,074
Hybrid capital		
Non-refundable grants		6,618,587
Public guarantee grants		-
Perpetual subordinated debt		14,747,186
Total hybrid capital		<hr/> 21,365,773
Numerator: Eligible capital		<hr/> 33,986,847
Denominator: Risk weighted assets		<hr/> <hr/>
Total aggregate assets		
Cash	0	-
Gold	0	-
Deposit with NBC	0	-
Deposit with Bank rated AAA to AA-	20%	-
Deposit with Bank rated A+ to A-	50%	-
Loan to customers	100%	31,449,490
Other assets	100%	3,107,884
Denominator: Risk weighted assets		<hr/> 34,557,374
Capital adequacy ratio - Numerator/Denominator		<hr/> 98.35%

PRASAC Credit Association

Supplementary financial information

Schedule II - Liquidity ratio

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

	31 December 2004 KHR'000
Numerator: Liquid assets:	
Cash on hand	1,023,387
Deposit with NBC	726,211
Deposit with banks	1,163,406
	<hr/>
	2,913,004
	<hr/>
Less:	
Amount owed to NBC	-
Amount owed to Banks	-
	<hr/>
Net liquid assets	2,913,004
	<hr/>
Plus:	
Portion of loans maturing in less than a month	940,908
	<hr/>
Numerator: liquid assets	3,853,912
	<hr/> <hr/>
Denominator: Adjusted amount of deposits:	
Categories deposit	
Voluntary deposits	-
	<hr/>
Denominator: Adjusted amount of deposits	-
	<hr/> <hr/>
Liquidity ratio - Numerator/Denominator	>100%
	<hr/> <hr/>

PRASAC Credit Association

Supplementary financial information

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

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

	Total KHR'000	%	NBC's Benchmark KHR'000	Company's Provision KHR'000	Variance KHR'000
Short-term loan					
Standard	24,312,933	0%	-	-	-
Substandard	54,642	10%	5,464	5,464	-
Doubtful	25,574	30%	7,672	7,672	-
Loss	1,020,184	100%	1,020,184	1,020,184	-
Long-term loan					
Standard	7,792,019	0%	-	-	-
Substandard	121,060	0%	-	-	-
Doubtful	168,497	30%	50,549	50,549	-
Loss	497,593	100%	497,593	497,593	-
General provision	-		-	961,550	961,550
	<u>33,992,502</u>		<u>1,581,462</u>	<u>2,543,012</u>	<u>961,550</u>
All loan past due >30 days				1,887,550	
Delinquency ratio: Loan past due >30 days/Loan outstanding				5.55%	

Schedule IV - Large exposures

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

PRASAC Credit Association

Supplementary financial information

Schedule V – Other ratios

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

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	KHR'000	KHR'000	%
	CAPITAL					
1	Equity to total assets	Equity	Total assets	34,674,673	36,306,972	95.50%
2	Capital tier I to total assets	Capital tier I	Total assets	12,621,074	36,306,972	34.76%
3	Capital tier I to risk weighted assets	Capital tier I	Risk weighted assets	12,621,074	34,557,374	36.52%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1+tier 2	Risk weighted assets	33,986,847	34,557,374	98.35%
5	Net worth to total assets	Net worth	Total assets	33,986,847	36,306,972	93.61%
6	Solvency ratio	Net worth	Risk weighted assets	33,986,847	34,557,374	98.35%
7	Debts to total assets	Total liabilities	Total assets	1,632,299	36,306,972	4.50%
8	Debt to equity	Total liabilities	Equity	1,632,299	34,674,673	4.71%
9	Dividend to net profit	Dividend	Net profit	-	2,123,722	-

PRASAC Credit Association

Supplementary financial information

Schedule V – Other ratios (continued)

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	KHR'000	KHR'000	%
	ASSET QUALITY					
10	NPL to total loans	NPL	Total loans (gross)	1,887,550	33,992,502	5.55%
11	NPL to total assets	NPL	Total assets	1,887,550	36,306,972	5.20%
12	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	-	33,992,502	-
13	Large exposure to total loans	Large exposure	Total Loans (gross)	-	33,992,502	-
14	Loan to related parties to net worth	Loan to related parties	Net worth	-	33,986,847	-
15	Large exposure to net worth	Large exposure	Net worth	-	33,986,847	-
16	General provision to total loans	General provision	Total loans (gross)	961,550	33,992,502	2.83%
17	Specific provision to total loans	Specific provision	Total loans (gross)	1,581,462	33,992,502	4.65%
18	Specific provision to NPL	Specific provision	NPL	1,581,462	1,887,550	83.78%
19	All allowances to total assets	Total all allowances	Total assets	2,543,012	36,306,972	7.00%
20	Loans to deposits	Total loans to non-bank customers (gross)	Customer's deposits	33,992,502	-	>100%

PRASAC Credit Association

Supplementary financial information

Schedule V – Other ratios (continued)

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	KHR'000	KHR'000	%
	EARNINGS					
21	ROA	Net profit	Total assets	2,123,772	36,306,972	5.85%
22	ROE	Net profit	Equity	2,123,772	34,674,673	6.12%
23	Gross yield	Interest income	Total assets	8,995,444	36,306,972	24.78%
24	Net interest margin (NIM) to total assets	Interest income – interest expense	Total assets	8,993,022	36,306,972	24.77%
25	Other income to total assets	Other incomes	Total assets	2,245,781	36,306,972	6.19%
26	Provision to total assets	Provision	Total assets	1,089,629	36,306,972	3.00%
27	Overhead to total assets	Non-interest expenses	Total assets	9,115,081	36,306,972	25.11%
28	Net income before tax to total assets	Net income before tax	Total assets	2,123,722	36,306,972	5.85%
29	Tax to total assets	Tax	Total assets	-	36,306,972	-
30	Interest margin to gross income	Interest income – interest expense	Gross income	8,993,022	11,241,225	80.00%
31	Non-interest income to gross income	Non-interest income	Gross income	2,245,781	11,241,225	19.98%
32	Non-interest expense to gross income	Non-interest expense	Gross income	9,115,081	11,241,225	81.09%
33	Times interest earned	Income before tax + interest expense	Interest expense	2,126,144	2,422	877.85%

PRASAC Credit Association

Supplementary financial information

Schedule V – Other ratios (continued)

No	Other Ratios	NBC Formula		Basis of Calculation		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	KHR'000	KHR'000	%
	LIQUIDITY					
34	Liquid asset	Liquid asset	Total assets	3,853,912	36,306,972	10.61%
35	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	1,632,299	36,306,972	4.50%
36	Net liquid assets	Liquid assets – short- term liabilities	Total liabilities	2,221,613	1,632,299	136.10%
37	Quick ratio	Quick assets	Current liabilities	2,913,004	1,632,299	178.46%
38	Deposits to total loans	Total customers' deposits	Total loans to non-bank customers (gross)	-	33,992,502	-