

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

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*** This Appendix does not form part of the financial statements**



អង្គការ មីក្រូហិរញ្ញវត្ថុ (កម្ពុជា)

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BOARD OF DIRECTORS' REPORT

The Board of Directors submits its report and the audited financial statements of the ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”) for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

AMK commenced trade on 1 July 2003 when it took over the assets, liabilities and activities of Thanakea Ponleu Thmey (TPT) a program previously run by Concern Worldwide.

AMK is engaged primarily in the provision of micro-finance services to the economically active poor population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia. AMK is wholly owned by Concern Worldwide Ltd.

AMK provides credit services to poor families in the three provinces of Kampong Speu, Pursat and Banteay Meanchey. It has the following main guiding principles:

- AMK will provide micro-finance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- AMK will be committed to openness and transparency in all areas of management and operations
- AMK will be committed to developing processes/services and to adopting behaviors and standards that ensure client protection.
- AMK will be a learning organization where appropriate exchange and sharing of information will contribute to staff development, training and in policy & systems improvements.

Services such as provision of credit are currently being provided to over 20,464 households. There are two types of loans:

- terms of three to twelve months for Village Bank loans (end of term loan and installments loan)
- terms of three to eighteen months for individual installment loans
- Loan linked savings for individual installments loans
- Voluntary savings for members

RESULTS

The results of operations for the year ended 31 December 2004 are set out in the income statement on page 8. AMK commenced trading from 1 July 2003 onwards.

BAD AND DOUBTFUL LOANS

Before the financial statements of AMK were drawn up, the Board of Directors took reasonable steps to ascertain that appropriate actions had been taken in relation to the writing off of bad loans and the making of provision for bad and doubtful loans. They satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances which would render the amount of the provision for bad and doubtful loans in the financial statements of AMK inadequate to any material extent.

VALUATION OF ASSETS

Before the financial statements of AMK were drawn up, the Board of Directors took reasonable steps to ensure that its assets, other than loans which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of AMK, had been written down to an amount which they might be expected to realize.

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

VALUATION METHODS

At the date of this report, the Board of Directors is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of AMK misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of AMK which has arisen since the end of the period which secures the liabilities of any other person; or
- (b) any contingent liability in respect of AMK that has arisen since the end of the period other than in the ordinary course of its business operations.

No contingent or other liability of AMK has become enforceable, or is likely to become enforceable within the period and after the end of the period which, in the opinion of the Board of Directors, will or may have a material effect on the ability of AMK to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Board of Directors is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of AMK, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of AMK for the year ended 31 December 2004 were not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

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

BOARD OF DIRECTORS

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

Ms. Theresa McDonnel Fristrom, Chairperson,
Mr. Pel Piseth, Secretary,
Ms. Louise Supple,
Ms. Isabelle Mary Kidney,
Mr. James Gerard Hynes,
Mr. Thomas James O' Higgins, Chairperson starting on 16 December 2004
Mr. Gerhard Bruckermann, and
Mr. Tanmay Chetan

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

AUDITORS

The financial statements were audited by PricewaterhouseCoopers (Cambodia) Limited.

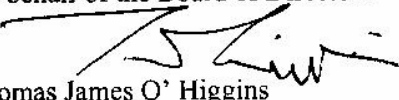
RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of AMK as at 31 December 2004, and of the results of its operations for the period. In preparing these financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of the National Bank of Cambodia ("Central Bank") or, if there has been any departure in the interests of true and fair presentation, ensure this has 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 AMK will continue operations in the foreseeable future;
- v) set overall policies for AMK, ratify all decisions and actions by the management that have a material effect on the operations and performance of AMK, and ensure they have been properly reflected in the financial statements.

The Board of Directors confirms that AMK has complied with these requirements in preparing the financial statements.

On behalf of the Board of Directors


Thomas James O' Higgins
Chairperson
AMK Board of Directors
Date: 22 March 2005

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ANGKOR
MIKROHERANHVATHO (KAMPUCHEA) CO., LTD**

We have audited financial statements of ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”) which is owned by Concern Worldwide Ltd for the year ended 31 December 2004, as set out on pages 6 to 29. These financial statements have been prepared in accordance with the accounting policies set out in Note 2 to the financial statements and Central Bank’s guidelines.

Respective responsibilities of the Board of Directors and the auditors

The Board of Directors of AMK is responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit of those financial statements, and to report our opinion to you.

This report, including the opinion, has been prepared solely for AMK’s shareholders and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement. It also includes an assessment of the significant estimates and judgments made by the management in the preparation of the financial statements, and of whether the accounting policies appropriate to AMK’s circumstances are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

As indicated in Note 2 to the financial statements, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Cambodia. The accounting principles and practices utilised in Cambodia may differ from those generally accepted in countries and jurisdictions other than Cambodia.

Each balance of the financial statements was translated into Khmer Riel at the official rate of exchange as at the reporting date as regulated by the National Bank of Cambodia (“the Central Bank”), in accordance with Announcement No. B795-139-AN issued on 5 December 1995. The financial statements which were expressed in Khmer Riel do not form part of the audited financial statements and therefore we do not express an opinion on the financial statements expressed in Khmer Riel.

Opinion

In our opinion, the financial statements set out in pages 6 to 29 give a true and fair view, in all material respects, of the financial position of AMK as at 31 December 2004 and of the results of its operations and its cash flows for the year ended 31 December 2004 in accordance with the accounting policies set out in Note 2 to the financial statements and Central Bank's guidelines.

PriceWaterhouse Coopers (Cambodia) Limited

A blue circular stamp is located to the right of the handwritten signature. The stamp contains the text "ក្រុមហ៊ុនប្រតិបត្តិការ" at the top, "ប្រតិបត្តិការ" in the middle, "PriceWaterhouse Coopers" and "(Cambodia) Ltd" in the center, and "ក្រុមហ៊ុនប្រតិបត្តិការ" at the bottom.

PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED
Phnom Penh, Kingdom of Cambodia
Date: 22 March 2005

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**BALANCE SHEET
AS AT 31 DECEMBER 2004**

		31 December 2004		31 December 2003	
	Note	US\$	Unaudited RIEL'000	US\$	Unaudited RIEL'000
ASSETS					
Cash on hand	3	13,884	56,022	24,327	100,398
Balances with banks	4	733,898	2,961,278	317,496	1,310,306
Balances with Central Bank	5	67,410	271,999	-	-
Loans and advances to customers	6	1,165,882	4,704,334	810,143	3,343,460
Interest receivable	7	19,556	78,908	2,978	12,290
Other assets	8	25,270	101,965	63,422	261,743
Intangible assets	9	6,266	25,283	7,077	29,208
Property, plant and equipment	10	127,462	514,309	113,442	468,174
TOTAL ASSETS		<u>2,159,628</u>	<u>8,714,098</u>	<u>1,338,885</u>	<u>5,525,579</u>
LIABILITIES AND EQUITY					
LIABILITIES					
Loan-linked savings	11	3,498	14,114	-	-
Accruals	12	69,948	282,240	33,600	138,668
Provision for retirement benefits	13	25,622	103,384	10,027	41,381
TOTAL LIABILITIES		<u>99,068</u>	<u>399,738</u>	<u>43,627</u>	<u>180,049</u>
EQUITY					
Share capital	14	2,156,685	8,702,224	1,356,716	5,599,167
Accumulated losses		<u>(96,125)</u>	<u>(387,864)</u>	<u>(61,458)</u>	<u>(253,637)</u>
TOTAL EQUITY		<u>2,060,560</u>	<u>8,314,360</u>	<u>1,295,258</u>	<u>5,345,530</u>
TOTAL LIABILITIES AND EQUITY		<u>2,159,628</u>	<u>8,714,098</u>	<u>1,338,885</u>	<u>5,525,579</u>

The accompanying notes on pages 10 to 29 form an integral part of these financial statements.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

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

	Note	Share capital US\$	Accumulated losses US\$	Total US\$	Total Unaudited RIEL'000
Initial registered share capital as at 20 May 2003		62,672	-	62,672	258,647
Transferred from TPT on 1 July 2003		788,099	-	788,099	3,252,485
Increase in paid up share capital		505,945	-	505,945	2,088,035
Net loss for the period		-	(61,458)	(61,458)	(253,637)
As at 31 December 2003		1,356,716	(61,458)	1,295,258	5,345,530
Increase in paid up share capital		799,969	-	799,969	3,227,875
Net loss for the year		-	(34,667)	(34,667)	(139,881)
Currency revaluation at balance sheet date		-	-	-	(119,164)
As at 31 December 2004	14	<u>2,156,685</u>	<u>(96,125)</u>	<u>2,060,560</u>	<u>8,314,360</u>

The accompanying notes on pages 10 to 29 form an integral part of these financial statements.

ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

		For the year ended 31 December 2004		For the period from 20 May to 31 December 2003	
	Note	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
INCOME					
Interest income	16	403,803	1,629,345	137,940	569,278
Interest expenses		<u>(112)</u>	<u>(452)</u>	<u>-</u>	<u>-</u>
Net interest income		403,691	1,628,893	137,940	569,278
Commission expenses	17	(20,787)	(83,876)	(12,316)	(50,828)
Loan fee income	18	7,595	30,646	766	3,161
Other operating income	19	<u>51,197</u>	<u>206,580</u>	<u>18,229</u>	<u>75,231</u>
Operating income		441,696	1,782,243	144,619	596,842
EXPENDITURE					
Staff costs	20	258,704	1,043,871	87,796	362,334
Administrative expenses	21	142,628	575,503	54,825	226,262
Transport costs	22	28,585	115,340	11,091	45,773
Technical support costs	23	27,000	108,945	18,000	74,286
Provision for bad and doubtful loans	6	<u>15,141</u>	<u>61,094</u>	<u>32,921</u>	<u>135,865</u>
NET LOSS BEFORE TAXATION		30,362	122,510	60,014	247,678
Income tax expense	24	<u>4,305</u>	<u>17,371</u>	<u>1,444</u>	<u>5,959</u>
NET LOSS FOR THE YEAR/PERIOD		<u><u>34,667</u></u>	<u><u>139,881</u></u>	<u><u>61,458</u></u>	<u><u>253,637</u></u>

The accompanying notes on pages 10 to 29 form an integral part of these financial statements.

ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	For the year ended 31 December 2004 Unaudited		For the period from 20 May to 31 December 2003 Unaudited	
		US\$	Riel '000	US\$	Riel '000
Cash flows from operating activities					
Loss before taxation		(30,362)	(122,511)	(60,014)	(247,678)
<i>Adjustments for:</i>					
Gains on sale of property, plant and equipment		(527)	(2,126)	-	-
Unrealised gains on foreign exchange		(28,652)	(115,611)	(6,881)	(28,398)
Provision for loan losses	6	3,054	12,323	33,187	136,963
Depreciation and amortisation	9&10	48,307	194,923	19,305	79,672
Provision for retirement benefits		16,031	64,685	3,695	15,249
Cash flows from operating activities before changes in operating assets and liabilities		7,851	31,683	(10,708)	(44,192)
<i>Changes in operating assets and liabilities</i>					
Statutory deposit and reserve account with Central Bank		(67,365)	(271,818)	-	-
Loans and advances to customers		(330,141)	(1,332,119)	(836,449)	(3,452,025)
Interest receivable		(16,578)	(66,892)	(2,978)	(12,290)
Other assets		38,152	153,943	(63,422)	(261,744)
Compulsory savings		3,498	14,114	-	-
Accruals		36,348	146,664	39,932	164,800
Retirement benefits paid		(436)	(1,759)	-	-
Tax paid		(4,305)	(17,371)	(1,444)	(5,959)
Net cash outflow from operating activities		<u>(332,976)</u>	<u>(1,343,555)</u>	<u>(875,069)</u>	<u>(3,611,410)</u>
Cash flows from investing activity					
Fixed assets transferred from TPT		-	-	(78,676)	(324,696)
Purchase of intangible assets		(4,000)	(16,140)	-	-
Purchase of property, plant and equipment		(57,656)	(232,642)	(61,148)	(252,358)
Proceed from sale of property, plant and equipment		666	2,687	-	-
		<u>(60,990)</u>	<u>(246,095)</u>	<u>(139,824)</u>	<u>(577,054)</u>
Cash flows from financing activity					
Increase in paid up share capital		799,970	3,227,879	1,356,716	5,599,168
Net increase in cash and cash equivalents		406,004	1,638,229	341,823	1,410,704
Cash and cash equivalents at beginning of year		341,823	1,410,704	-	-
Currency revaluation at balance sheet date		-	(31,451)	-	-
Cash and cash equivalents at end of year	15	<u>747,827</u>	<u>3,017,482</u>	<u>341,823</u>	<u>1,410,704</u>

The accompanying notes on pages 10 to 29 form an integral part of these financial statements.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

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

1. BACKGROUND INFORMATION

ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”), a licensed micro-finance institution (“MFI”), was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under register number Co-1698/03E dated 30 April 2003. AMK is engaged primarily in the provision of micro-finance services to economically active poor population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia. AMK is wholly owned by Concern Worldwide Ltd.

The MFI was initially established in 1999 as Thanakea Ponleu Thmey (“TPT”) Program by Concern Worldwide, Cambodia (“CWC”). All assets, liabilities and accumulated donations of TPT were transferred to AMK on 1 July 2003 against the issue of additional shares. AMK commenced to trade on the date of the asset transfer.

The Central Bank granted AMK a license to conduct business as a micro-finance institution for a three-year period commencing from 18 May 2004 to 18 May 2007.

AMK provides credit services to poor families in the three provinces of Kampong Speu, Pursat and Banteay Meanchey. It has the following main guiding principles:

- AMK will provide micro-finance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- AMK will be committed to openness and transparency in all areas of management and operations
- AMK will be committed to developing processes/services and to adopting behaviors and standards that ensure client protection.
- AMK will be a learning organization where appropriate exchange and sharing of information will contribute to staff development, training and in policy & systems improvements.

Services such as provision of credit are currently being provided to over 20,464 households. There are two types of loans:

- terms of three to twelve months for Village Bank loans (end of term loan and installments loan)
- terms of three to eighteen months for individual installment loans
- Loan linked savings for individual installments loans
- Voluntary savings for members

As at 31 December 2004, AMK had 102 employees (31 December 2003: 66).

AMK’s head office is at number 191-Block F, Phnom Penh Center (Corner Sihanouk & Sotheros), Tonle Basac, Chamkamon, Phnom Penh, Cambodia.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Kingdom of Cambodia. The accounting principles and practices utilised in the Kingdom of Cambodia may differ from those generally accepted in countries and jurisdictions other than the Kingdom of Cambodia.

Basis of aggregation

The financial statements include the financial statements of the head office, and AMK's three provincial branches, in the provinces of Kampong Speu, Pursat and Banteay Meanchey. On aggregation of balances, all significant inter-branch balances and transactions are eliminated in full.

The significant accounting policies adopted in the preparation of these financial statements are set out below.

Loans and advances to customers

Loans and advances to customers are net of provisions for doubtful loans.

The adequacy of the provision for bad and doubtful loans is evaluated quarterly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms. The provision for doubtful loans charged to expense is based on management's judgment of the amount necessary to maintain the provision balance at a level adequate to absorb losses.

In 2004, to be more in line with the requirement of the Central Bank's Prakas No. B-7-02-0186 on classification of and provisioning for bad and doubtful debts, including interest in suspense, AMK changed its provisioning policy as follows:

Old policy

- 100% of all outstanding loans which are overdue more than one year as at period ended, and
- 60% of all outstanding loans capital disbursed in 2002 which is overdue less than one year as at period ended, and
- 2.5% of all outstanding loan capital disbursed in 2003 which is not yet overdue as at period end

Specific provision has been made in full for past due loans that remained uncollected as at the date of this report.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and advances to customers (continued)

New policy

<i>Loans status / classification</i>	<i>Percentage applied (%)</i>
Sub standard loans (where repayments are more than 30 days overdue)	10
Doubtful loans (where repayments are more than 60 days overdue)	30
Loss (where repayments are more than 90 days overdue)	100

Loans are written off to the income statement when the loans remain unpaid after one year.

An additional general provision of bad and doubtful loans is set at the rate of 2.5% of all outstanding loans at year end after making the provision above.

Any uncollectible loans or portion of loans classified as bad and/or doubtful are written off when, in the judgment of management, there is no prospect of recovery. To the extent losses were previously provided on loans to be written off, write-offs are charged against the corresponding provision. The portion of loss not previously recognized is directly charged to the income statement.

Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation.

In 2004, AMK changed its method of computing depreciation as follows:

	<i>New method</i> Reducing Balance <i>Percentage (%)</i>	<i>Old method</i> Straight Line <i>Percentage (%)</i>
Vehicles	25	25
Motorbikes	25	25
Computer equipment	25 to 50	25

As the result of this change, the depreciation charge is US\$9,823 lower than it would have been using the previous period's policy.

Intangible assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Costs associated with development or maintaining computer software programmers are recognized as expenses when incurred.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits

Provision for retirement benefits for AMK employees are provided by AMK on a pro-rata basis, at the rate of one month's salary for every year worked for AMK.

No separate fund is maintained, i.e, there is no separate interest-bearing bank account or any other asset maintained for this fund.

These obligations will be paid as follow:

i) when AMK employees reach a retirement age of 60 years, or when they are made redundant by AMK, they are entitled to retirement benefits in full.

OR

ii) if they resign before retirement age, are entitled to the following benefits:

<i>Number of working years</i>	<i>Percentage (%) of total pension provided for the employee</i>
Less than 1 year	-
1 to 2 years	20
3 to 4 years	30
5 years upward	50

Revenue and expense recognition

Interest income

Interest earned on loans is recognized on an accruals basis taking into consideration the principal amount of loans outstanding. Interest on loans is calculated using the simple interest method based on the beginning of the month balances of the principal amount outstanding.

Interest will continue to be calculated as long as a client has a principal amount owing to AMK. However, if management doubts the collectability of interest on a loan, it will be included in the provision for interest losses.

Loan fees income

Loan arrangement fees are recognized as income when the loan is disbursed to each group member. The charge is 0.5% of total amount of loan disbursed.

Expenses

Expenses are recognized on an accruals basis.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Taxes are calculated on the basis of the current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of the income tax expense will be made following an inspection by the tax authorities.

Foreign currency translations

Expenditure is primarily denominated in US\$, while lending and income sources are denominated in:

- Khmer Riel in Kampong Speu and Pursat provinces, and
- Thai Baht (“THB”) in Banteay Meanchey province.

Monetary assets and liabilities in currencies other than US\$ are translated into US\$ at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than US\$ are translated into US\$ at the rates of exchange prevailing on the transaction dates. Exchange differences are dealt with in the income statement.

Related party

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 or operational decisions.

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital or voting rights and include any individual who participates in the administration, direction, management or internal control of AMK.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Risk management

Financial risk management and policies

By its nature the Company’s activities are principally related to the use of financial instruments. The Company accepts funds from its shareholders and seeks to earn interest margins by lending for periods of less than one year at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Company is exposed to risks from changes in market interest rates in currency exchange rates. The Company manages and assumes such risks by monitoring the market movements of interest and currency exchange rates. There is currently no hedging. The Company does not hold or issue derivative instruments.

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk management (continued)

Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows. Its exposure to interest rate risk relates primarily to its loans and bank deposits.

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

Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Khmer Riel and Thai Baht. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Credit risk

The Company is exposed to credit risk primarily with respect to loans. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Management believes that the Company's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans.

3. CASH ON HAND

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Head office	745	3,006	27	111
Kompong Speu	6,956	28,067	11,285	46,574
Pursat	2,963	11,956	5,498	22,690
Banteay Meanchey	3,220	12,993	7,517	31,023
	<u>13,884</u>	<u>56,022</u>	<u>24,327</u>	<u>100,398</u>

Further currency analysis of the above cash on hand is as follows:

By currency

Cash on hand in US\$	1,486	5,996	1,058	4,366
Cash on hand in Riel	9,991	40,314	16,293	67,242
Cash on hand in THB	2,407	9,712	6,976	28,790
	<u>13,884</u>	<u>56,022</u>	<u>24,327</u>	<u>100,398</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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4. BALANCES WITH BANKS

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
<i>Current accounts, without interest:</i>				
Acleda Bank	132,649	535,239	317,496	1,310,306
<i>Savings:</i>				
Acleda Bank	367,836	1,484,218	-	-
<i>Fixed deposits:</i>				
Acleda Bank, 3 months, interest at 4% a year	130,000	524,550	-	-
Acleda Bank, 1 month, interest at 3% a year	103,413	417,271	-	-
	<u>733,898</u>	<u>2,961,278</u>	<u>317,496</u>	<u>1,310,306</u>

5. BALANCES WITH CENTRAL BANK

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Statutory deposits	67,365	271,818	-	-
Current accounts	45	181	-	-
	<u>67,410</u>	<u>271,999</u>	<u>-</u>	<u>-</u>

Following the Central Bank's Prakas No. B700-006 on the *Licensing of Micro-Finance Institutions*, AMK maintains an amount equal to 5% of its registered capital of Riel 5,436,375 thousand as at 31 December 2004 in a permanent non-interest earning account with Central Bank.

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NOTES TO THE FINANCIAL STATEMENTS
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6. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by performing and non-performing loans

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Standard loans				
-secured	91,786	370,356	-	-
-unsecured	1,101,770	4,445,643	822,121	3,392,893
Substandard loans				
-secured	-	-	-	-
-unsecured	2,042	8,239	-	-
Doubtful loans				
-secured	-	-	-	-
-unsecured	-	-	-	-
Loss loans				
-secured	-	-	-	-
-unsecured	6,524	26,324	21,209	87,530
	<u>1,202,122</u>	<u>4,850,562</u>	<u>843,330</u>	<u>3,480,423</u>

b) Analysis by type of industry

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Agriculture	1,063,958	4,293,071	702,173	2,897,868
Trade and commerce	110,283	444,994	62,461	257,778
Services	7,757	31,300	6,954	28,700
Transportation	1,270	5,123	4,507	18,600
Construction	648	2,613	2,774	11,449
Household/family	3,933	15,870	51,267	211,579
Other categories	14,273	57,591	13,194	54,449
	<u>1,202,122</u>	<u>4,850,562</u>	<u>843,330</u>	<u>3,480,423</u>

c) Analysis by relationship

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Non related parties	1,189,094	4,797,994	841,330	3,472,169
Related parties	13,028	52,568	2,000	8,254
	<u>1,202,122</u>	<u>4,850,562</u>	<u>843,330</u>	<u>3,480,423</u>

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6. LOANS AND ADVANCES TO CUSTOMERS (Continued)

d) Analysis by maturity

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Maturity within one year	1,202,122	4,850,562	843,330	3,480,423
Over one year but within three years	-	-	-	-
Over three years but within five years	-	-	-	-
Over five years	-	-	-	-
	<u>1,202,122</u>	<u>4,850,562</u>	<u>843,330</u>	<u>3,480,423</u>

e) Analysis of gross loans by branches

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Staff loans (a)	13,028	52,568	2,000	8,254
Kompong Speu	391,251	1,578,698	254,520	1,050,404
Pursat	288,084	1,162,419	181,829	750,408
Banteay Meanchey	<u>509,759</u>	<u>2,056,877</u>	<u>404,981</u>	<u>1,671,357</u>
	<u>1,202,122</u>	<u>4,850,562</u>	<u>843,330</u>	<u>3,480,423</u>

(a) This represents loans to staff and no collateral is required on these loans. The interest rate is charged at 1% per month on the principal balance outstanding and principal and interest repayments are made on a monthly basis.

All loans are group and individual loans and no collateral is required on the group loans. The interest rate is charged at 3% per month on the principal balance outstanding and interest repayments are made on a monthly basis.

f) Analysis by currencies

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Loan in US\$	13,028	87,126	2,000	8,254
Loans in Riel	679,335	2,620,927	436,349	1,800,812
Loans in THB	<u>509,759</u>	<u>2,095,160</u>	<u>404,981</u>	<u>1,671,357</u>
	<u>1,202,122</u>	<u>4,803,213</u>	<u>843,330</u>	<u>3,480,423</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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6. LOANS AND ADVANCES TO CUSTOMERS (Continued)

g) Analysis by type of loan products

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Village Bank loans-end of terms	1,107,548	4,468,956	843,330	3,480,423
Village Bank loans-instalments	2,788	11,250	-	-
Individual loans-instalments	78,758	317,788	-	-
Staff loans-instalments	13,028	52,568	-	-
Loans	<u>1,202,122</u>	<u>4,850,562</u>	<u>843,330</u>	<u>3,480,423</u>
Provision for loan losses	<u>(36,240)</u>	<u>(146,228)</u>	<u>(33,187)</u>	<u>(136,963)</u>
	<u>1,165,882</u>	<u>4,704,334</u>	<u>810,143</u>	<u>3,343,460</u>

h) Provision for bad and doubtful loans

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Specific provision in accordance with Central Bank's guidelines	6,728	27,147	21,209	87,530
General provision	<u>29,513</u>	<u>119,085</u>	<u>11,978</u>	<u>49,433</u>
	<u>36,241</u>	<u>146,232</u>	<u>33,187</u>	<u>136,963</u>

The movements in provision for doubtful loans are as follows:

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Opening balance	33,187	136,963	-	-
Provision charged during the year/period	3,053	12,319	33,187	136,963
Currency revaluation at balance sheet date	-	(3,050)	-	-
	<u>36,240</u>	<u>146,232</u>	<u>33,187</u>	<u>136,963</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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7. INTEREST RECEIVABLE

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Interest receivable	19,556	78,908	6,404	26,429
<i>Provision for interest losses:</i>				
Opening balance	(3,426)	(14,139)	-	-
Provision during the year/period	3,426	13,824	(3,426)	(14,139)
Currency revaluation at balance sheet date	-	315	-	-
Provision as at 31 December 2004	<u>-</u>	<u>-</u>	<u>(3,426)</u>	<u>(14,139)</u>
Net	<u>19,556</u>	<u>78,908</u>	<u>2,978</u>	<u>12,290</u>

8. OTHER ASSETS

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Unpaid share capital from shareholder (CWC)	-	-	62,672	258,648
Rental deposits (head office)	4,860	19,610	-	-
Rental prepayments	10,920	44,062	-	-
Micro Banker license prepayments	6,000	24,211	-	-
Others	3,490	14,082	750	3,095
	<u>25,270</u>	<u>101,965</u>	<u>63,422</u>	<u>261,743</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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9. INTANGIBLE ASSETS

	Software license US\$	Total US\$
2003		
Cost		
Acquired during the period	7,500	7,500
At 31 December 2003	<u>7,500</u>	<u>7,500</u>
Accumulated depreciation		
Charge for the period	423	423
At 31 December 2003	<u>423</u>	<u>423</u>
Net book value		
At 31 December 2003	<u>7,077</u>	<u>7,077</u>
2004		
Cost		
As at 1 January 2004	7,500	7,500
Acquired during the year	4,000	4,000
As at 31 December 2004	<u>11,500</u>	<u>11,500</u>
Accumulated depreciation		
As at 1 January 2004	423	423
Charge for the year	4,811	4,811
At 31 December 2004	<u>5,234</u>	<u>5,234</u>
Net book value		
At 31 December 2004	<u>6,266</u>	<u>6,266</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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10. PROPERTY, PLANT AND EQUIPMENT

	Vehicles US\$	Motor bikes US\$	Computer equipment US\$	Total US\$
2003				
Cost				
Transfer from TPT on 1 July 2003	54,888	8,589	15,199	78,676
Acquired during the period	27,500	13,905	12,241	53,646
At 31 December 2003	<u>82,388</u>	<u>22,494</u>	<u>27,440</u>	<u>132,322</u>
Accumulated depreciation				
Charge for the period	12,864	3,035	2,981	18,880
At 31 December 2003	<u>12,864</u>	<u>3,035</u>	<u>2,981</u>	<u>18,880</u>
Net book value				
At 31 December 2003	<u>69,524</u>	<u>19,459</u>	<u>24,459</u>	<u>113,442</u>
2004				
Cost				
As at 1 January 2004	82,388	22,494	27,440	132,322
Acquired during the year	27,500	18,820	11,337	57,657
Disposal during the year	-	(670)	-	(670)
At 31 December 2004	<u>109,888</u>	<u>40,644</u>	<u>38,777</u>	<u>189,309</u>
Accumulated depreciation				
As at 1 January 2004	12,864	3,037	2,981	18,882
Charge for the year	23,174	5,704	14,619	43,497
Disposal during the year	-	(532)	-	(532)
At 31 December 2004	<u>36,038</u>	<u>8,209</u>	<u>17,600</u>	<u>61,847</u>
Net book value				
At 31 December 2004	<u>73,850</u>	<u>32,435</u>	<u>21,177</u>	<u>127,462</u>

11. LOAN-LINKED SAVINGS

This represents compulsory savings on loans disbursed as required by AMK policy. AMK deducts 2% of all loans disbursed to customers and it is subject to interest at a rate of 12% per annum. The repayment of a 2% deduction on loans disbursed will be made at the end of loan terms. The loan terms are not more than 12 months.

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**NOTES TO THE FINANCIAL STATEMENTS
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12. ACCRUALS

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Technical support costs	38,700	156,154	18,000	74,286
Bonus	11,980	48,339	8,311	34,299
Audit fees	3,905	15,757	2,850	11,762
Tax payable	9,436	38,074	-	-
Provision for withholding tax	-	-	1,942	8,015
Others	5,927	23,916	2,497	10,306
	<u>69,948</u>	<u>282,240</u>	<u>33,600</u>	<u>138,668</u>

13. PROVISION FOR RETIREMENT BENEFITS

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Balance as at 1 January 2004	10,027	41,381	6,332	26,132
Payment during the year/period	(436)	(1,759)	-	-
Charge during the year/period	16,031	64,684	3,695	15,249
Currency revaluation at balance sheet date	-	(922)	-	-
	<u>25,622</u>	<u>103,385</u>	<u>10,027</u>	<u>41,381</u>

14. SHARE CAPITAL

In November 2004, AMK submitted a draft Memorandum of Article and Association to the Ministry of Commerce for re-registering new share capital. The proposed new share capital is Riel 10,142,200 thousand being 405,688 shares valued at Riel 25,000 each. The shareholders are as follow (in accordance with the draft Memorandum of Article and Association):

	31 December 2004			31 December 2003		
	Number of shares	US\$	Unaudited Riel'000	Number of shares	US\$	Unaudited Riel'000
Concern Worldwide Ltd	405,588	2,512,936	10,139,700	217,355	1,356,092	5,433,875
Concern Worldwide (UK)	100	624	2,513	100	624	2,500
	<u>405,688</u>	<u>2,513,560</u>	<u>10,142,213</u>	<u>217,455</u>	<u>1,356,716</u>	<u>5,436,375</u>
Currency revaluation at balance sheet date	-	-	-	-	-	162,792
	<u>405,688</u>	<u>2,513,560</u>	<u>10,142,213</u>	<u>217,455</u>	<u>1,356,716</u>	<u>5,599,167</u>

As at 31 December 2004, paid up capital is US\$ 2,156,685 equivalent to Riel 8,702,224 thousand.

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**NOTES TO THE FINANCIAL STATEMENTS
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15. CASH AND CASH EQUIVALENTS

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Cash on hand	13,884	56,022	24,327	100,398
Balances with banks	733,898	2,961,279	317,496	1,310,306
Current account with Central Bank	45	181	-	-
	<u>747,827</u>	<u>3,017,482</u>	<u>341,823</u>	<u>1,410,704</u>

16. INTEREST INCOME

	For the year ended 31 December 2004		For the period from 20 May to 31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Gross interest income	393,355	1,587,187	141,366	583,417
Bank interest income	7,022	28,334	-	-
Provision for doubtful interest (see note 7)	<u>3,426</u>	<u>13,824</u>	<u>(3,426)</u>	<u>(14,139)</u>
	<u>403,803</u>	<u>1,629,345</u>	<u>137,940</u>	<u>569,278</u>

17. COMMISSION EXPENSES

The commission expenses represent the payments towards the village bank committee incentive. The basis of the incentive is calculated at a rate of 3% and 0.5% of 100% of interest income and 100% of the principal collected respectively.

18. LOAN FEE INCOME

This represents loan fee income charged up front from customers at a rate of 0.5% of all loans disbursed during the year.

19. OTHER OPERATING INCOME

	For the year ended 31 December 2004		For the period from 20 May to 31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Bad debt recovered	5,500	22,192	11,448	47,246
Micro-finance training services	5,190	20,942	-	-
Proceeds from sale of fixed assets (previously written off)	11,855	47,835	-	-
Unrealised gains on foreign exchange	<u>28,652</u>	<u>115,611</u>	<u>6,781</u>	<u>27,985</u>
	<u>51,197</u>	<u>206,580</u>	<u>18,229</u>	<u>75,231</u>

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NOTES TO THE FINANCIAL STATEMENTS
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20. STAFF COSTS

	For the year ended 31 December 2004		For the period from 20 May to 31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Local staff salary	226,669	914,609	80,411	331,856
Retirement benefits	16,031	64,685	3,695	15,249
Per diems/allowances	4,708	18,997	2,763	11,403
Medical expenses	4,971	20,058	927	3,826
Other personnel	6,325	25,522	-	-
	<u>258,704</u>	<u>1,043,871</u>	<u>87,796</u>	<u>362,334</u>

21. ADMINISTRATION EXPENSES

	For the year ended 31 December 2004		For the period from 20 May to 31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Depreciation	48,307	194,919	19,305	79,671
Office rental	18,144	73,211	9,804	40,461
Office supplies and equipment	15,110	60,969	5,715	23,586
Utilities	9,338	37,679	4,251	17,544
Communication	12,972	52,342	3,519	14,523
Professional services	23,810	96,073	3,745	15,456
Provision for withholding tax expenses	-	-	1,942	8,015
Repairs and maintenance	6,386	25,767	1,226	5,060
Recruitment	880	3,551	815	3,364
Entertainment	996	4,019	666	2,749
Other	6,685	26,973	3,837	15,833
	<u>142,628</u>	<u>575,503</u>	<u>54,825</u>	<u>226,262</u>

22. TRANSPORT COSTS

	For the year ended 31 December 2004		For the period from 20 May to 31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Fuel costs	16,058	64,794	4,774	19,702
Repairs and maintenance	5,867	23,673	2,976	12,282
Tax and insurance	3,910	15,777	1,472	6,075
Internal flights	1,111	4,483	1,218	5,027
Vehicle hire	1,204	4,858	413	1,705
Others	435	1,755	238	982
	<u>28,585</u>	<u>115,340</u>	<u>11,091</u>	<u>45,773</u>

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23. TECHNICAL SUPPORT COSTS

AMK's Chief Executive Officer ("CEO") and TRAM manager are paid directly by Concern Worldwide Ltd for the year ended 31 December 2004. AMK is charged US\$18,000 (31 December 2003: US\$9,000) for the services of the CEO and US\$9,000 (31 December 2003: US\$4,500) for the TRAM manager.

24. INCOME TAX EXPENSE

	For the year ended 31 December 2004		For the period from 20 May to 31 December 2003	
	Unaudited		Unaudited	
	US\$	Riel '000	US\$	Riel '000
Current tax (minimum tax expense)	<u>4,305</u>	<u>17,371</u>	<u>1,444</u>	<u>5,959</u>
	<u>4,305</u>	<u>17,371</u>	<u>1,444</u>	<u>5,959</u>
Current income tax is computed as follows:				
Net loss before taxation	(30,362)	(122,510)	(60,014)	(247,678)
Permanent differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(30,362)	(122,510)	(60,014)	(247,678)
Timing differences on unrealized gain foreign exchange	(28,652)	(115,611)	(6,781)	(27,985)
Timing differences on provision for retirement benefits	<u>15,595</u>	<u>62,926</u>	<u>10,027</u>	<u>41,381</u>
Taxable losses	(43,419)	(175,195)	(56,768)	(234,282)
Tax rate	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>
Current income tax	-	-	-	-
Minimum tax expense (a)	<u>4,305</u>	<u>17,371</u>	<u>1,444</u>	<u>5,959</u>
	<u>4,305</u>	<u>17,371</u>	<u>1,444</u>	<u>5,959</u>

(a) The Minimum Tax is calculated at the rate of 1% of the annual turnover inclusive of all taxes. Should AMK have a Tax on Profit liability that exceeds the Minimum Tax liability, no Minimum Tax will be payable. The tax is payable even if AMK is in a tax loss situation.

25. FAIR VALUES OF ASSETS AND LIABILITIES

In the opinion of the management, the carrying amounts of financial assets and liabilities included in the balance sheet are reasonable estimates of their fair values and of the credit risk associated with these assets. In making this assessment, management assumes that loans and advances to customers are mainly held to maturity. Fair value approximates to the book value of loans adjusted for provision for loan losses.

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

26. CURRENCY ANALYSIS

An analysis of AMK's assets and liabilities by currency are as follows:

	<u>US\$</u>	<u>THB</u>	<u>Riel</u>	Total <u>US\$</u>	Total Unaudited <u>Riel'000</u>
<i>31 December 2004</i>					
ASSETS					
Cash on hand	1,486	2,407	9,991	13,884	56,022
Balances with banks	445,770	182,480	105,648	733,898	2,961,278
Balances with Central Bank	-	-	67,410	67,410	271,999
Loans and advances to customers	13,028	490,606	662,248	1,165,882	4,704,334
Interest receivable	-	8,809	10,747	19,556	78,908
Other assets	25,106	164	-	25,270	101,965
Intangible assets	6,266	-	-	6,266	25,283
Property and equipment	127,462	-	-	127,462	514,309
Total Assets	<u>619,118</u>	<u>684,466</u>	<u>856,044</u>	<u>2,159,628</u>	<u>8,714,098</u>
LIABILITIES					
Compulsory savings	-	1,466	2,032	3,498	14,114
Accruals	69,948	-	-	69,948	282,240
Provision for retirement benefits	25,622	-	-	25,622	103,384
Total Liabilities	<u>95,570</u>	<u>1,466</u>	<u>2,032</u>	<u>99,068</u>	<u>399,738</u>
<i>Net asset (liability) position</i>	<u>523,548</u>	<u>683,000</u>	<u>854,012</u>	<u>2,060,560</u>	<u>8,314,360</u>
<i>31 December 2003</i>					
Total Assets	342,700	480,239	515,946	1,338,885	5,525,579
Total Liabilities	43,627	-	-	43,627	180,049
<i>Net asset (liability) position</i>	<u>299,073</u>	<u>480,239</u>	<u>515,946</u>	<u>1,295,258</u>	<u>5,345,530</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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27. MATURITY PROFILE

The maturity profile of assets and liabilities are 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
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<i>31 December 2004</i>							
ASSETS							
Cash on hand	13,884	13,884	-	-	-	-	-
Balances with banks	733,898	603,898	130,000	-	-	-	-
Balances with Central Bank	67,410	45	-	-	-	-	67,365
Loans and advances to customers	1,165,882	50,456	699,529	415,897	-	-	-
Interest receivable	19,556	1,514	11,733	6,309	-	-	-
Other debtors	25,270	-	-	25,270	-	-	-
Intangible assets	6,266	-	-	-	6,266	-	-
Property, plant and equipment	127,462	-	-	836	126,626	-	-
Total Assets	2,159,628	669,797	841,262	448,312	132,892	-	67,365
LIABILITIES							
Compulsory savings	3,498	-	-	3,498	-	-	-
Accruals	69,948	9,519	38,700	21,729	-	-	-
Provision for retirement benefits	25,622	-	-	-	734	24,888	-
Total Liabilities	99,068	9,519	38,700	25,227	734	24,888	-
<i>Net liquidity surplus/(gap)</i>	2,060,560	660,278	802,562	423,085	132,158	(24,888)	67,365
<i>31 December 2003</i>							
Total Assets	1,338,885	378,849	280,292	559,288	120,456	-	-
Total Liabilities	43,627	-	15,600	18,000	-	-	10,027
<i>Net liquidity surplus/(gap)</i>	1,295,258	378,849	264,692	541,288	120,456	-	(10,027)

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**NOTES TO THE FINANCIAL STATEMENTS
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28. LEASE COMMITMENTS

The AMK has lease commitments for the lease of its headquarters and provincial offices as follows:

	31 December 2004		31 December 2003	
	US\$	Unaudited Riel '000	US\$	Unaudited Riel '000
Not more than one year	19,920	80,377	9,780	40,362
More than one year but less than five years	<u>68,040</u>	<u>274,541</u>	<u>-</u>	<u>-</u>
	<u><u>87,960</u></u>	<u><u>354,918</u></u>	<u><u>9,780</u></u>	<u><u>40,362</u></u>

29. COMPARATIVE

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

APPENDIX I: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS

APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2004

1. CAPITAL ADEQUACY RATIO, Prakas No. B7-00-46

Licensed Micro-finance Institutions shall at all times, maintain a capital adequacy ratio of more than 20%. As at 31 December 2004, Capital Adequacy Ratio of AMK is 98.22%.

The Capital Adequacy Ratio calculation is detailed in Schedule 1.

2. LIQUIDITY RATIO, Prakas No. B7-02-48

Licensed Micro-finance Institutions shall at all times, maintain a liquidity ratio of more than 100%. As at 31 December 2004, the Liquidity Ratio is 321,802%.

The Liquidity Ratio calculation is detailed in Schedule 2.

3. CALCULATION OF FOREIGN CURRENCY EXPOSURE, Prakas No B 795-001

Licensed Micro-finance Institution's foreign currency exposure ratio should not exceed 5% of net worth for each currency and 15% of net worth aggregate. As at 31 December 2004, the foreign currency exposure ratio are 41.18% and 33.46% for Cambodian Riel and Thai Baht currencies respectively which were not in compliance with the Central Bank's Prakas.

Foreign currency exposure ration calculation is detailed in Schedule 3.

4. RESERVE REQUIREMENT, Prakas No. B7-02-45

Licensed Micro-finance Institutions shall deposit 5% of their deposits into an account maintained with the Central Bank. As at 31 December 2004, the reserve requirement is US\$54, AMK has subsequently deposited with Central Bank in January 2005 amounting to US\$250.

The Reserve Requirement calculation is detailed in Schedule 4.

**5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas
No. B702-186**

Licensed micro-finance institutions shall classify their loan portfolio into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

Loan term of one year or less than one year

1. **Standard:** good financial condition and punctual payment of principal and interest.
2. **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
3. **Doubtful:** some payments of principal and/or interest are overdue 60 days or more.
4. **Loss:** some payments of principal and/or interest are overdue 90 days or more.

Loan term more than one year

1. **Standard:** good financial condition and punctual payment of principal and interest.
2. **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
3. **Doubtful:** some payments of principal and/or interest are overdue 180 days or more.
4. **Loss:** some payments of principal and/or interest are overdue 360 days or more.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2004**

**5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas
No. B702-186 (Continued)**

Specific provisions on the loans are classified as follow:

- **Sub-standard** : 10% regardless of the collateral value except cash.
- **Doubtful** : 30% regardless of the collateral value except cash.
- **Loss** : 100%.

As at 31 December 2004, the specific provision provided by AMK is US\$6,728 which was in compliance with Central Bank's Prakas.

Loans and advances to customers amounting to US\$23,041, which represents 154 borrowers were originally issued under the loan term of more than one year but, as at 31 December 2004 have been wrongly classified as loans of one year or less, which is not in compliance with the Central Banks' Prakas No. B702-186.

Loan classification, provision and delinquency ratio calculation is detailed in Schedule 5.

ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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SCHEDULE 1
CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2004

			US\$
1-NUMERATOR : ELIGIBLE CAPITAL			
1.1. CORE CAPITAL			
- Paid in capital			2,156,685
- Reserves			-
- Retained earnings			(61,458)
- Net profit for the year			(34,667)
			<hr/>
Sub total A			2,060,560
Less :			
- Unpaid capital			-
- Loan to related parties			13,028
- Intangible asset			6,266
			<hr/>
Sub-total B			19,294
Core capital (A-B)			2,041,266
1.2.HYBRID CAPITAL			
- Nun-refundable grants			-
- Public guarantee funds			-
- Perpetual subordinated debt			-
Hybrid capital			-
1.3 ELIGIBLE CAPITAL (Core capital + Hybrid capital) (E)			2,041,266
			<hr/>
2-DENOMINATOR:RISK-WEIGHTED ASSET (R)			
	Asset	Amount	Weighting
- Cash		13,884	0%
- Gold		-	0%
- Balances with Central Bank		67,410	0%
- Balances with bank rated AAA to AA-		-	20%
- Balances with bank rated A+ to A-		-	50%
- Loans and advances to customers		1,202,122	100%
- Others asset		876,212	100%
		<hr/>	<hr/>
Total		2,159,628	2,078,334
		<hr/>	<hr/>
CAPITAL ADEQUACY RATIO (C=E/R)			98.22%

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2004**

1-Numerator: liquid asset			US\$
- Cash on hand			13,884
- Balances with Central Bank			67,410
- Balances with banks			733,898
Sub-total A			<u>815,192</u>
<i>Less :</i>			
- Amount owed to Central Bank			-
- Amount owed to banks			-
Sub-total B			-
Net liquidity (A-B)			815,192
<i>Plus :</i>			
Portion of loans maturing in less than a month			<u>50,456</u>
Liquid assets (L)			<u>865,648</u>
2-Denominator: Adjusted amount of deposits (A)			
Category of Deposits	Amount	%	
Voluntary savings	1,075	25%	269
Total	1,075		269
LIQUIDITY RATIO (L/A)			<u>321,802%</u>

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**SCHEDULE 3
CALCULATION OF FOREIGN CURRENCY EXPOSURE AS AT 31 DECEMBER 2004**

	Riel	THB
1- Assets in foreign currency	856,044	684,466
2- Minus: liabilities in that currency	2,032	1,466
3- Net position (long or short)	<u>854,012</u>	<u>683,000</u>
4- Minus: provision for FX losses	-	-
5- Adjusted net position (long or short)	<u>854,012</u>	<u>683,000</u>
6- Net worth	2,041,266	2,041,266
7- Foreign currency exposure ratio: 5/6	<u>41.18%</u>	<u>33.46%</u>

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**SCHEDULE 4
RESERVE REQUIREMENT AS AT 31 DECEMBER 2004**

	US\$
1-Voluntary	
1-1 Demand	-
1-2 Saving (18% per annum)	1,057
1-3 Term	-
1-4 Other	-
1-5 Total Reservable Deposit	<u>1,075</u>
2-Compulsory	
2-1 Program (12% per annum)	2,423
2-2 Program	
2-3 Program	
2-4 Total compulsory saving	2,423
3-Total saving mobilized	3,498
5% Reservable Deposit	<u>54</u>

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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SCHEDULE 5

**LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2004**

Loan classification	Amount US\$	Rate %	Specific provision US\$
1-Loans of one year or less			
1-1 Standard	1,193,556	0%	-
1-2 Substandard Past Due >30 days	2,042	10%	204
1-3 Doubtful Past Due >60 days	-	30%	-
1-4 Loss Past Due >90 days	6,524	100%	6,524
Sub-Total 1	1,202,122		6,728
2-Loans of more than one year			
2-1 Standard	-	0%	-
2-2 Substandard Past Due >30 days	-	10%	-
2-3 Doubtful Past Due >180 days	-	30%	-
2-4 Loss Past Due >360 days	-	100%	-
Sub-Total 2	-		-
All loan past due > 30 days (A)	8,566		
Loan outstanding (B)			1,202,122
Delinquency Ratio (A/B)			<u>0.71%</u>