

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

**Financial Statements  
and  
Auditors' report  
31 December 2009**

## Corporate Information

Company	Angkor Mikroheranhvatho (Kampuchea) Co., Ltd	
Registration No	Co. 1698/03E	
Registered office	No. 442, Street 193 Sangkat Toul Svayprey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.	
Shareholders	Concern Worldwide (Dublin) Concern Worldwide (UK)	
Board of Directors	Mr. Thomas James O'Higgins	Chairman
	Mr. Alastair Land	Secretary
	Mr. Howard Dalzell	Director
	Mr. Peter Power	Director
	Mr. Gerhard Bruckermann	Director
	Mr. Tip Janvibol	Director
	Mr. Tanmay Chetan	Director
	Mr. Paul Luchtenburg	Director and Chief Executive Officer
	Mr. Pradip Sanyal	Director, (Appointed on 18 August 2009)
	Ms. Rebecca McKenzie	Director, (Appointed on 18 August 2009)
	Mrs. Frances Sihna	Director, (Appointed on 22 May 2009, pending approval from NBC)
	Mr. Tom Kolbeck	Director, (Appointed on 22 May 2009, pending approval from NBC)
	Mr. Adam Mooney	Director, (Resigned on 21 October 2009)

## Corporate Information

Management team	Mr. Paul Luchtenburg Mr. Kea Borann Mr. Yourng Pakk Mr. Nang Kinal Mr. Mam Choern Mr. Meas Chanra Mr. Chum Paulette Mr. Thun Vathana Ms. Ly Theeda Ms. Long Chantha Mr. Nget Chou	Chief Executive Officer Chief Financial Officer IT Manager Marketing Manager Operations Manager Training Manager Senior Inspections Manager Research Manager Human Resources Manager Treasury Manager Product Development Manager
Auditor	KPMG Cambodia Ltd	
Principal bankers	Acleda Bank Plc. ANZ Royal Bank (Cambodia) Ltd Foreign Trade Bank of Cambodia National Bank of Cambodia	

# **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

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## អង្គរ មីក្រូហិរញ្ញវត្ថុ (កម្ពុជា)

អាគារលេខ៤៤២ ផ្លូវ១៩៣ សង្កាត់ទួលស្វាយ ព្រៃ១ ខណ្ឌចំការមន រាជធានីភ្នំពេញ  
ប្រអប់សំបុត្រ ៤៨០ ។ ទូរស័ព្ទលេខ: (៨៥៥) ២៣ ៩៩៣ ០៦២ ។ ទូរសារលេខ: (៨៥៥) ២៣ ២២១ ៦៥០  
Angkor Mikroheranhvatho (Kampuchea) Co., Ltd  
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## Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (“the Company” or “AMK”) for the year ended 31 December 2009.

### Principal activity

The principal activity of AMK is to provide micro-finance services to the economically active poor population of Cambodia through its head office in Phnom Penh and its various provincial offices in the Kingdom of Cambodia.

### Financial results

The financial results of the Company for the year ended 31 December 2009 were as follows:

	KHR'000
Profit before income tax	2,377,901
Income tax expense	(509,471)
Net profit for the year	<u>1,868,430</u>

### Reserves and provisions

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

### Bad and doubtful loans

Before the income statement and balance sheet of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any substantial extent.

## **Current assets**

Before the income statement and balance sheet of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they might be expected to realise.

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

## **Valuation methods**

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

## **Contingent and other liabilities**

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

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

## **Change of circumstances**

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

## **Items of unusual nature**

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

## **Items of unusual nature (continued)**

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

## **Events since the balance sheet date**

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

## **The Board of Directors**

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

- Mr. Thomas James O'Higgins Chairman
- Mr. Alastair Land Secretary
- Mr. Howard Dalzell Director
- Mr. Peter Power Director
- Mr. Gerhard Bruckermann Director
- Mr. Tip Janvibol Director
- Mr. Tanmay Chetan Director
- Mr. Paul Luchtenburg Director and Chief Executive Officer
- Mr. Pradip Sanyal Director, (Appointed on 18 August 2009)
- Ms. Rebecca McKenzie Director, (Appointed on 18 August 2009)
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- Mr. Tom Kolbeck Director, (Appointed on 22 May 2009, pending approval From NBC)
- Mr. Adam Mooney Director, (Resigned on 21 October 2009)

## **Directors' interests**

No members held any interest in the equity of the Company. No arrangements existed to which the Company is a party with the object of enabling the members to obtain an interest in the Company or in any body corporate.

## **Directors' benefits**

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

## **Directors' benefits (continued)**

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

## **Responsibilities of the Board of Directors in respect of the financial statements**

The Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2009, and of the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

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

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

*Signed in accordance with a resolution of the Board of Directors,*



Mr. Thomas James O'Higgins  
*Chairman*

Date: 25/3/10





## **REPORT OF THE INDEPENDENT AUDITORS**

### **To the shareholders**

### **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

We have audited the accompanying financial statements of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (“the Company” or “AMK”), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 53.

#### **Management’s Responsibility for the Financial Statements**

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

#### **Auditors’ Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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



**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

The accompanying financial statements have been translated into United States Dollars solely for presentation purposes. We have audited the translation and, in our opinion, the financial statements expressed in Khmer Riel have been translated into United States Dollars on the basis as set forth in Note 4 to the financial statements.

**KPMG Cambodia Ltd**



Craig McDonald  
*Audit Partner*

Phnom Penh

25 March 2010

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Balance sheet As at 31 December 2009

	Note	2009		2008	
		KHR'000	US\$	KHR'000	US\$
<b>Assets</b>					
Cash on hand	5	681,603	163,493	567,753	139,121
Deposits and placements with banks	6	43,337,509	10,395,181	17,506,021	4,289,640
Statutory deposits	7	1,730,463	415,079	1,725,463	422,804
Loans to customers	8	102,059,270	24,480,516	94,568,950	23,172,985
Other receivables	9	4,909,263	1,177,563	2,254,719	552,492
Intangible assets	10	368,972	88,504	597,444	146,396
Property and equipment	11	4,062,737	974,511	2,916,598	714,677
Deferred tax assets	12	688,155	165,065	335,516	82,214
<b>Total assets</b>		<b>157,837,972</b>	<b>37,859,912</b>	<b>120,472,464</b>	<b>29,520,329</b>
<b>Liabilities and shareholders' equity</b>					
Deposits from customers	13	721,249	173,003	630,609	154,523
Due to a shareholder	14	3,709	890	155,082	38,001
Borrowings	15	106,820,745	25,622,630	71,327,793	17,478,018
Other liabilities	16	3,126,964	750,051	3,431,502	840,849
Provision for income tax	17	516,218	123,823	1,066,524	261,339
Provision for retirement benefits	18	2,125,786	509,903	1,206,083	295,536
<b>Total liabilities</b>		<b>113,314,671</b>	<b>27,180,300</b>	<b>77,817,593</b>	<b>19,068,266</b>
<b>Shareholders' equity</b>					
Share capital	19	34,069,250	8,172,044	34,069,250	8,348,260
Retained earnings		10,454,051	2,507,568	8,585,621	2,103,803
<b>Total shareholders' equity</b>		<b>44,523,301</b>	<b>10,679,612</b>	<b>42,654,871</b>	<b>10,452,063</b>
<b>Total liabilities and shareholders' equity</b>		<b>157,837,972</b>	<b>37,859,912</b>	<b>120,472,464</b>	<b>29,520,329</b>

The accompanying notes form part of these financial statements.

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Income statement for the year ended 31 December 2009

		2009		2008	
	Note	KHR'000	US\$	KHR'000	US\$
Interest income	20	35,304,626	8,468,368	24,875,427	6,095,424
Interest expenses	21	(9,217,663)	(2,211,001)	(4,341,115)	(1,063,738)
Net interest income		26,086,963	6,257,367	20,534,312	5,031,686
Other operating income	22	758,539	181,947	644,154	157,842
Operating income		26,845,502	6,439,314	21,178,466	5,189,528
Fee and commission expenses	23	(1,174,237)	(281,659)	(860,542)	(210,866)
Operating and other expenses	24	(21,551,521)	(5,169,470)	(14,881,466)	(3,646,524)
Provision for bad and doubtful loans	8	(2,063,542)	(494,973)	(804,452)	(197,121)
Profit from operations		2,056,202	493,212	4,632,006	1,135,017
Grant income	25	321,699	77,165	367,608	90,078
Profit before income tax		2,377,901	570,377	4,999,614	1,225,095
Income tax expense	17	(509,471)	(122,205)	(975,156)	(238,951)
Net profit for the year		1,868,430	448,172	4,024,458	986,144

The accompanying notes form part of these financial statements.

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Statement of changes in equity for the year ended 31 December 2009

	Share capital KHR'000	Retained earnings KHR'000	Total KHR'000
Balance as at 1 January 2008	10,148,925	4,561,163	14,710,088
Conversion of amounts due to shareholder	23,920,325	-	23,920,325
Net profit for the year	-	4,024,458	4,024,458
Balance as at 31 December 2008	34,069,250	8,585,621	42,654,871
Net profit for the year	-	1,868,430	1,868,430
Balance as at 31 December 2009	34,069,250	10,454,051	44,523,301
(US\$ equivalent)	8,172,044	2,507,568	10,679,612

The accompanying notes form part of these financial statements.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Statement of cash flows for the year ended 31 December 2009

	Note	2009 KHR'000	2009 US\$	2008 KHR'000	2008 US\$
<b>Cash flows from operating activities</b>					
Net cash used in operating activities	26	(30,309,510)	(7,270,211)	(52,895,773)	(12,961,973)
<b>Cash flows from investing activities</b>					
Purchase of intangible assets		(93,593)	(22,450)	(641,813)	(157,269)
Purchase of property and equipment		(2,455,984)	(589,106)	(1,999,358)	(489,918)
Proceeds from disposal of property and equipment		33,360	8,002	-	-
Net cash used in investing activities		(2,516,217)	(603,554)	(2,641,171)	(647,187)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		55,444,433	13,299,216	64,497,927	15,804,441
Repayments of borrowings		(19,951,481)	(4,785,675)	(1,088,886)	(266,818)
Net cash generated from financing activities		35,492,952	8,513,541	63,409,041	15,537,623
<b>Net increase in cash and cash equivalents</b>		2,667,225	639,776	7,872,097	1,928,463
<b>Cash and cash equivalents at beginning of year</b>		12,666,449	3,103,761	4,794,352	1,197,690
Translation difference		-	(65,515)	-	(22,392)
<b>Cash and cash equivalents at end of year</b>	27	15,333,674	3,678,022	12,666,449	3,103,761

### Significant non-cash transactions

During the year, there were following significant non-cash transactions:

Conversion of loans into Share Capital	-	-	23,920,325	5,861,388
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The accompanying notes form part of these financial statements.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements for the year ended 31 December 2009

### 1. Background and principal activities

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. (“the Company” or “AMK”), a licensed micro-finance institution, 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 the economically active poor of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia. The Company is 99.99% owned by Concern Worldwide (Dublin).

The Company 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 the Company on 1 July 2003 against the issue of shares. The Company commenced to trade on the date of the asset transfer.

On 29 January 2010, the Company obtained a Microfinance Deposit Taking Institution (“MDI”) license to conduct deposit taking business from the National Bank of Cambodia.

Concern Worldwide intends to divest up to 90% of its equity holding to a proposed specialised microfinance vehicle, subject to approvals from the respective regulatory authorities. Three of AMK’s current board members will be shareholders in this proposed vehicle.

AMK provides credit services to poor families in twenty-two branches in Banteay Meanchey, Battambang, Dangkor, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Kandal, Kratie, Kampot, Mondulkiri, Muk Kampoul, Otdor Meanchey, Preah Vihear, Prey Veng, Pursat, Ratanakiri, Siem Reap, Sihanouk Ville, Stung Treng, Svay Rieng, and Takeo. AMK 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 behaviours and standards that ensure optimum social performance, including client protection.
- AMK will be a learning organisation where appropriate exchange and sharing of information will contribute to staff development, training and in policy and system improvements.

As at 31 December 2009, the Company had 767 employees (31 December 2008: 566).

# **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

## **Notes to the financial statements (continued) for the year ended 31 December 2009**

### **2. Basis of preparation**

#### **(a) Statement of compliance**

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

#### **(b) Basis of measurement**

The financial statements of the Company have been prepared on the historical cost basis.

#### **(c) Functional and presentation currency**

The Company transacts its business and maintains its accounting records in three currencies, Khmer Riel (“KHR”), United States Dollars (“US\$”) and Thai Baht (“THB”). Management have determined the KHR to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company as the majority of the loan transactions are in 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 income statement.

#### **(d) Use of estimates and judgements**

The preparation of financial statements requires management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Financial instruments

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

#### (b) Segment information

The Company operates within one business segment, commercially oriented micro-finance services, and within one geographical segment, the Kingdom of Cambodia.

#### (c) Basis of aggregation

The financial statements comprise the financial statements of the head office and the twenty-two branches in Banteay Meanchey, Battambang, Dangkor, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Kandal, Kratie, Kampot, Mondulkiri, Muk Kampoul, Otdor Meanchey, Preah Vihear, Prey Veng, Pursat, Ratanakiri, Siem Reap, Sihanouk Ville, Stung Treng, Svay Rieng and Takeo after the elimination of all inter-branch balances and transactions.

#### (d) 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.

#### (e) Deposits and placements with banks

Deposits and placements with banks are carried at cost.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 3. Significant accounting policies (continued)

#### (f) Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general provisions. Short-term loans are those with a repayment date within one year of the date the loan was advanced. Long-term loans are those with a final repayment date of more than one year of the date the loan was advanced.

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

#### (g) Provision for bad and doubtful loans

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

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

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

In addition to the specific provision, an additional general provision for bad and doubtful loans is made at the rate of 1% of all outstanding performing loans excluding staff loans as at year end.

Loans are written off to the income statement when the loans remain unpaid one year after maturity date or when the client death. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for loan loss.

# **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

## **Notes to the financial statements (continued) for the year ended 31 December 2009**

### **3. Significant accounting policies (continued)**

#### **(g) Provision for bad and doubtful loans (continued)**

The provision will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provision shall be recorded in the institution's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard. The analysis of overdue loans is set out in note 8.

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

Recoveries on loans previously written off are disclosed as other operating income in the income statement.

#### **(h) Other receivables**

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

#### **(i) Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a declining basis at the rate of 50% per annum.

#### **(j) Property and equipment**

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

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 3. Significant accounting policies (continued)

#### (j) Property and equipment (continued)

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

Motor vehicles	25%
Motorcycles	25%
Computer and office equipment	50%

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.
- (vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

#### (k) Impairment

- (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3 (f).

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

All impairment losses are recognised in the income statement.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 3. Significant accounting policies (continued)

#### (k) Impairment (continued)

##### (i) Financial assets (continued)

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

##### (ii) Non-financial assets

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

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

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

#### (l) Deposits from customers

Deposits from customers are stated at placement value.

#### (m) Borrowings

Borrowings are stated at cost.

#### (n) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 3. Significant accounting policies (continued)

#### (o) Provision for retirement benefits

Provision for retirement benefits for the Company employees is calculated on a pro-rata basis at the rate of one month's salary for every year worked. These obligations will be paid:

- (i) when the employees reach a retirement age of 60 years, or when they are made redundant by the Company, they are entitled to retirement benefit in full.

Or

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

<u>Number of working months</u>	<u>Total pension provided to employees</u>
Less than six months	Nil
Six months to one year	Seven days of wages and benefits
More than one year	Fifteen days for each year of employment, up to six - months' wages and benefits.

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

#### (p) Income and expense recognition

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

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

Expenses are recognised on an accrual basis.

#### (q) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

# **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

## **Notes to the financial statements (continued) for the year ended 31 December 2009**

### **3. Significant accounting policies (continued)**

#### **(r) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised as a component of shareholder equity, in which case it is also disclosed as a component of shareholder equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to permit the realisation of the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **(s) Related parties**

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10 percent of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

# **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

## **Notes to the financial statements (continued) for the year ended 31 December 2009**

### **3. Significant accounting policies (continued)**

#### **(t) New standards and interpretations not yet adopted**

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) effective for financial statements with periods beginning on or after 1 January 2012. The new standards will be referred to as “Cambodian International Financial Reporting Standards” (CIFRS). The adoption of CIFRS is expected to have a significant impact on the financial statements of the Company.

### **4. Translation of Khmer Riel into United States Dollars**

The financial statements are stated in Khmer Riel. The translations of Khmer Riel amounts into United States Dollars are included solely for presentation purposes and have been made using the prescribed official exchange rate of US\$1: KHR4,169 (2008: KHR4,081) published by the NBC on 31 December 2009. These translations should not be construed as representations that the Khmer Riel amounts have been, could have been, or could in the future be, converted into United States Dollars at this or any other rate of exchange.



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 5. Cash on hand

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Head office	9,763	2,342	12,214	2,993
Provincial branches				
Banteay Meanchey	69,795	16,741	70,873	17,367
Battambang	16,324	3,915	26,494	6,492
Dangkor	8,922	2,140	-	-
Kampong Cham	24,984	5,993	13,787	3,378
Kampong Chhnang	21,317	5,113	34,010	8,334
Kampong Speu	22,945	5,504	49,941	12,237
Kampong Thom	35,102	8,420	19,342	4,740
Kandal	53,979	12,948	30,039	7,361
Kratie	12,430	2,981	7,815	1,915
Kampot	60,837	14,593	24,320	5,959
Mondulkiri	27,908	6,694	14,805	3,628
Muk Kampoul	18,596	4,461	-	-
Otdor Meanchey	34,489	8,273	18,158	4,449
Preah Vihear	30,496	7,315	61,313	15,024
Prey Veng	44,760	10,736	23,921	5,862
Pursat	43,086	10,335	12,695	3,111
Ratanakiri	7,323	1,757	8,513	2,086
Siem Reap	40,004	9,595	9,068	2,222
Sihanouk Ville	10,825	2,597	29,984	7,347
Stung Treng	22,100	5,301	15,857	3,885
Svay Rieng	45,165	10,833	37,517	9,193
Takeo	20,453	4,906	47,087	11,538
	<u>681,603</u>	<u>163,493</u>	<u>567,753</u>	<u>139,121</u>

The above amounts are analysed as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
By currency:				
Khmer Riel	494,277	118,560	456,619	111,889
Thai Baht	55,194	13,239	67,751	16,602
US Dollars	132,132	31,694	43,383	10,630
	<u>681,603</u>	<u>163,493</u>	<u>567,753</u>	<u>139,121</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 6. Deposits and placements with banks

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Foreign Trade Bank of Cambodia	20,302,582	4,869,893	8,183,025	2,005,152
ANZ Royal Bank (Cambodia) Ltd	14,431,210	3,461,552	-	-
Aceda Bank Plc.	8,527,357	2,045,420	8,058,432	1,974,622
National Bank of Cambodia	76,360	18,316	1,264,564	309,866
	<u>43,337,509</u>	<u>10,395,181</u>	<u>17,506,021</u>	<u>4,289,640</u>

The above amounts are analysed as follows:

(a) By maturity:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Within 1 month	2,586,141	620,327	12,098,696	2,964,640
2 to 3 months	12,065,930	2,894,202	-	-
3 to 6 months	16,485,438	3,954,291	1,224,300	300,000
More than 12 months	12,200,000	2,926,361	4,183,025	1,025,000
	<u>43,337,509</u>	<u>10,395,181</u>	<u>17,506,021</u>	<u>4,289,640</u>

(b) By currency:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Khmer Riel	8,743,407	2,097,243	5,157,620	1,263,813
Thai Baht	2,111,314	506,432	855,919	209,733
US Dollars	32,482,788	7,791,506	11,492,482	2,816,094
	<u>43,337,509</u>	<u>10,395,181</u>	<u>17,506,021</u>	<u>4,289,640</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 6. Deposits and placements with banks (continued)

(c) By interest rate (per annum):

	2009	2008
Foreign Trade Bank of Cambodia	0.75% - 5%	0% - 0.75%
ANZ Royal Bank (Cambodia) Ltd	0.75% - 3.6%	-
Aceda Bank Plc.	0% - 0.5%	2% - 5%

### 7. Statutory deposits

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Statutory deposits on:				
Registered share capital	1,703,463	408,602	1,703,463	417,413
Customers' deposits	27,000	6,477	22,000	5,391
	<u>1,730,463</u>	<u>415,079</u>	<u>1,725,463</u>	<u>422,804</u>

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

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

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

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 8. Loans to customers

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Village Bank loans:				
End of term	37,103,899	8,899,952	23,281,576	5,704,870
Credit line	23,413,245	5,616,034	20,730,537	5,079,769
Installment	18,519,916	4,442,292	15,226,696	3,731,119
Individual loans:				
Installment	23,297,726	5,588,325	32,514,796	7,967,360
Emergency - end of term	1,039,239	249,277	2,876,257	704,792
Staff loans	1,380,679	331,178	961,777	235,672
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>
Allowance for bad and doubtful loans				
Specific	(1,691,581)	(405,752)	(80,034)	(19,611)
General	(1,003,853)	(240,790)	(942,655)	(230,986)
	<u>(2,695,434)</u>	<u>(646,542)</u>	<u>(1,022,689)</u>	<u>(250,597)</u>
	<u>102,059,270</u>	<u>24,480,516</u>	<u>94,568,950</u>	<u>23,172,985</u>
Total number of loans	221,072		197,222	

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

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
At beginning of year	1,022,689	250,597	421,082	105,192
Provision during the year	2,063,542	494,973	804,452	197,121
Written off during the year	(396,561)	(95,121)	(193,024)	(47,298)
Translation difference	5,764	(3,907)	(9,821)	(4,418)
At end of year	<u>2,695,434</u>	<u>646,542</u>	<u>1,022,689</u>	<u>250,597</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 8. Loans to customers (continued)

The loans to customers are analysed as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
(a) By maturity:				
Within 1 month	4,512,138	1,082,307	1,194,155	292,613
1 to 3 months	16,039,268	3,847,270	10,073,069	2,468,285
3 to 12 months	44,119,509	10,582,756	30,101,560	7,376,025
More than 12 months	40,083,789	9,614,725	54,222,855	13,286,659
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>
(b) By currency:				
Khmer Riel	96,122,438	23,056,473	86,964,416	21,309,585
Thai Baht	7,209,526	1,729,318	7,665,446	1,878,325
US Dollars	1,422,740	341,267	961,777	235,672
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>
(c) By economic sector:				
Agriculture	64,653,167	15,508,076	48,119,335	11,791,065
Trade and commerce	29,487,625	7,073,069	36,187,078	8,867,208
Household/family	5,335,032	1,279,691	6,401,035	1,568,496
Construction	1,654,096	396,761	1,591,855	390,065
Services	1,487,470	356,793	1,386,633	339,778
Transportation	322,314	77,312	435,205	106,642
Other categories	1,815,000	435,356	1,470,498	360,328
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>
(d) By residency status:				
Residents	104,754,704	25,127,058	95,591,639	23,423,582
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>
(e) By relationship:				
External customers	103,374,025	24,795,880	94,629,862	23,187,910
Staff loans	1,380,679	331,178	961,777	235,672
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 8. Loans to customers (continued)

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
(f) By locations:				
Head office	1,380,679	331,178	961,777	235,672
Provincial branches				
Banteay Meanchey	7,209,526	1,729,318	7,665,447	1,878,326
Battambang	7,806,637	1,872,544	6,981,378	1,710,703
Dangkor	365,202	87,599	-	-
Kampong Cham	8,031,399	1,926,457	8,571,644	2,100,378
Kampong Chhnang	3,619,761	868,257	4,080,110	999,782
Kampong Speu	7,739,829	1,856,519	8,169,384	2,001,809
Kampong Thom	6,207,786	1,489,035	8,150,610	1,997,209
Kandal	4,282,464	1,027,216	5,048,896	1,237,171
Kratie	6,357,972	1,525,059	4,570,653	1,119,984
Kampot	3,260,762	782,145	3,579,969	877,228
Mondulkiri	1,395,524	334,738	364,691	89,363
Muk Kampoul	1,026,834	246,302	-	-
Otdor Meanchey	4,232,400	1,015,208	3,337,410	817,792
Preah Vihear	2,793,335	670,025	2,462,978	603,523
Prey Veng	8,004,641	1,920,039	4,665,494	1,143,223
Pursat	6,105,649	1,464,536	6,181,233	1,514,637
Ratanakiri	1,739,361	417,213	720,396	176,524
Siem Reap	5,718,310	1,371,626	6,770,460	1,659,020
Sihanouk Ville	3,209,319	769,805	3,209,088	786,349
Stung Treng	861,459	206,634	583,105	142,883
Svay Rieng	6,815,771	1,634,870	4,810,591	1,178,778
Takeo	6,590,084	1,580,735	4,706,325	1,153,228
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 8. Loans to customers (continued)

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
(g) By performance:				
Standard loans:				
Secured	22,924,106	5,498,706	33,250,553	8,147,649
Unsecured	78,841,875	18,911,460	61,997,064	15,191,635
Sub-standard loans:				
Secured	390,884	93,760	203,572	49,883
Unsecured	273,480	65,598	62,537	15,324
Doubtful loans:				
Secured	857,015	205,568	11,464	2,808
Unsecured	141,863	34,028	23,521	5,764
Loans loss:				
Secured	486,600	116,719	10,985	2,692
Unsecured	838,881	201,219	31,943	7,827
	<u>104,754,704</u>	<u>25,127,058</u>	<u>95,591,639</u>	<u>23,423,582</u>
(h) By interest rate (per annum):				
External customers	30% - 36%		30% - 36%	
Staff loans	2% - 12%		2% - 12%	

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

Staff loans consist of general staff loans and asset purchase loans. General staff loans are unsecured whereas asset purchase loans are secured by the asset purchased or any other asset equal to or more than the value of the loans. Repayments of principal and interest are made on a monthly basis. As at 31 December 2009, there are 341 staff loans (2008:222), and all loans are classified as standard or performing loans.

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Notes to the financial statements (continued) for the year ended 31 December 2009

#### 9. Other receivables

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Interest receivable	2,017,447	483,916	1,572,777	385,390
Prepayments and deposits	2,811,796	674,453	573,267	140,472
Others	80,020	19,194	108,675	26,630
	<u>4,909,263</u>	<u>1,177,563</u>	<u>2,254,719</u>	<u>552,492</u>

#### 10. Intangible assets

	Micro Banker Software license	
	KHR'000	US\$
<b>Cost</b>		
At 1 January 2009	774,320	189,737
Additions	93,593	22,450
Translation difference	-	(4,004)
At 31 December 2009	<u>867,913</u>	<u>208,183</u>
<b>Less: Accumulated amortisation</b>		
At 1 January 2009	176,876	43,341
Charge for the year	322,065	77,252
Translation difference	-	(914)
At 31 December 2009	<u>498,941</u>	<u>119,679</u>
<b>Net book value</b>		
At 31 December 2009	<u>368,972</u>	<u>88,504</u>
At 31 December 2008	<u>597,444</u>	<u>146,396</u>



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 11. Property and equipment

	Motor Vehicles KHR'000	Motorcycles KHR'000	Computer and office equipment KHR'000	Total KHR'000	Total US\$
<b>Cost</b>					
At 1 January 2009	1,516,679	2,098,150	1,204,864	4,819,693	1,181,008
Additions	498,234	1,239,652	718,098	2,455,984	589,106
Disposal	(37,550)	-	-	(37,550)	(9,007)
Translation difference	-	-	-	-	(24,929)
At 31 December 2009	<u>1,977,363</u>	<u>3,337,802</u>	<u>1,922,962</u>	<u>7,238,127</u>	<u>1,736,178</u>
<b>Less: Accumulated depreciation</b>					
At 1 January 2009	651,764	658,137	593,194	1,903,095	466,331
Charge for the year	296,312	566,078	436,224	1,298,614	311,493
Disposal	(26,319)	-	-	(26,319)	(6,313)
Translation difference	-	-	-	-	(9,844)
At 31 December 2009	<u>921,757</u>	<u>1,224,215</u>	<u>1,029,418</u>	<u>3,175,390</u>	<u>761,667</u>
<b>Net book value</b>					
At 31 December 2009	<u>1,055,606</u>	<u>2,113,587</u>	<u>893,544</u>	<u>4,062,737</u>	<u>974,511</u>
At 31 December 2008	<u>864,915</u>	<u>1,440,013</u>	<u>611,670</u>	<u>2,916,598</u>	<u>714,677</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 12. Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Deferred tax assets	822,769	197,354	476,055	116,651
Deferred tax liabilities	(134,614)	(32,289)	(140,539)	(34,437)
	<u>688,155</u>	<u>165,065</u>	<u>335,516</u>	<u>82,214</u>

The movement of net deferred tax assets is as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of year	335,516	82,214	-	-
Credited to income statement	352,639	84,586	335,516	82,214
Translation difference	-	(1,735)	-	-
	<u>688,155</u>	<u>165,065</u>	<u>335,516</u>	<u>82,214</u>

Deferred tax assets/(liabilities) are attributable to the following:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Provision for retirement benefits	479,904	115,112	241,217	59,107
General provision	200,771	48,158	106,059	25,988
Khmer new year bonus	46,336	11,115	73,967	18,125
Unrealised exchange losses	95,758	22,969	54,812	13,431
Depreciation	(134,614)	(32,289)	(140,539)	(34,437)
	<u>688,155</u>	<u>165,065</u>	<u>335,516</u>	<u>82,214</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 13. Deposits from customers

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
General savings	81,904	19,646	47,187	11,562
Loan-linked savings	75,488	18,107	439,262	107,636
Staff savings	563,857	135,250	144,160	35,325
	<u>721,249</u>	<u>173,003</u>	<u>630,609</u>	<u>154,523</u>

The general (voluntary) savings is available for the Company's borrowers only and bears interest at the rate of 6% per annum. The interest charge is accrued to individual borrowers' accounts every six months in June and December.

The loan-linked savings is a compulsory deposit on individual loans disbursed as required by the Company. 2% of the principal loan amount disbursed to borrowers is recorded as loan-linked savings and bears interest at the rate of 12% per annum, and refunded at the end of the loan cycle. The loan-linked savings were removed on 1 July 2008.

Staff savings bear interest at the rate of 5% per annum.

On 26 September 2008, the Board of Directors has approved applying for a saving deposit license from the National Bank of Cambodia. On 29 January 2010, the National Bank of Cambodia approved this license for the Company.

The deposits from customers are analysed as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
(a) By currency:				
Khmer Riel	136,297	32,693	444,260	108,861
Thai Baht	21,095	5,060	42,194	10,339
US Dollars	563,857	135,250	144,155	35,323
	<u>721,249</u>	<u>173,003</u>	<u>630,609</u>	<u>154,523</u>
(b) By maturity:				
Within 1 month	165,121	39,607	203,898	49,963
1 to 3 months	127,376	30,553	64,911	15,906
3 to 12 months	191,064	45,830	357,440	87,586
More than 12 months	237,688	57,013	4,360	1,068
	<u>721,249</u>	<u>173,003</u>	<u>630,609</u>	<u>154,523</u>

### 14. Due to a shareholder

Amounts due to a shareholder are unsecured, interest free and have no fixed term of repayment.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 15. Borrowings

	Note	2009		2008	
		KHR'000	US\$	KHR'000	US\$
Moringaway	i	25,193,500	6,043,056	25,061,500	6,141,019
ICO *	ii	22,197,903	5,324,515	-	-
Foreign Trade Bank of Cambodia	iii	21,050,000	5,049,172	4,000,000	980,152
Symbiotics SA Information	iv	11,313,800	2,713,792	9,897,500	2,425,263
Oikocredit	v	7,222,400	1,732,406	9,244,800	2,265,327
Hivos-Triodos Fonds	vi	6,000,000	1,439,194	6,000,000	1,470,228
BlueOrchard	vii	5,419,700	1,300,000	9,051,800	2,218,035
Rural Impulse Fund	viii	4,314,114	1,034,808	4,040,202	990,003
KIVA Microfunds	ix	4,079,328	978,491	3,914,575	959,220
The Minerva Treehouse Micro Finance Alliance Fund	x	30,000	7,196	-	-
		-	-	117,416	28,771
		<u>106,820,745</u>	<u>25,622,630</u>	<u>71,327,793</u>	<u>17,478,018</u>

\*: Instituto de Credito Oficial of the Kingdom of Spain ("ICO")

The borrowings are analysed as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
(a) By maturity:				
Within 1 year	40,616,344	9,742,467	26,579,916	6,513,089
1 to 5 years	44,006,500	10,555,649	44,747,877	10,964,929
Above 5 years	22,197,901	5,324,514	-	-
	<u>106,820,745</u>	<u>25,622,630</u>	<u>71,327,793</u>	<u>17,478,018</u>
(b) By currency:				
Khmer Riel	53,242,400	12,771,024	38,302,216	9,385,498
Thai Baht	6,456,114	1,548,600	11,562,702	2,833,301
US Dollars	47,122,231	11,303,006	21,462,875	5,259,219
	<u>106,820,745</u>	<u>25,622,630</u>	<u>71,327,793</u>	<u>17,478,018</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 15. Borrowings (continued)

#### i. Moringaway

Terms	First loan:	The loan is convertible debt.
	Second loan:	36 Months, from 21 April 2008 to 31 March 2011. The loan is convertible debt.
	Third loan:	36 months, from 21 August 2008 to 21 August 2011. The loan is convertible debt.
Total credit facilities	First loan:	KHR6,786,000,000
	Second loan:	KHR12,154,000,000
	Third loan:	US\$1,500,000
Repayment	Principal is due on the maturity date and interest is paid annually.	
Security	These loans are unsecured.	

#### ii. Instituto de Credito Oficial of the Kingdom of Spain (“ICO”)

The principal of the loan is US\$5,324,515 with the 12 years period. The principal will be repaid in six equal annual installments after six years of grace period and the interest shall be settled on a quarterly basis, starting from 22 June 2009 to 22 June 2021. The loan is unsecured.

#### iii. Foreign Trade Bank of Cambodia (“FTB”)

Terms	First loan:	24 months, from 15 December 2008 to 15 December 2010.
	Second loan:	12 months, from 27 April 2009 to 30 March 2010.
	Third loan:	30 months, from 3 September 2009 to 18 April 2012.
	Fourth loan:	12 months, from 10 September 2009 to 10 September 2010.
	Fifth loan:	24 months, from 6 November 2009 to 6 November 2011.
Total credit facilities	First loan:	KHR4,000,000,000
	Second loan:	KHR4,000,000,000
	Third loan:	KHR4,000,000,000
	Fourth loan:	KHR2,050,000,000
	Fifth loan:	KHR8,200,000,000

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 15. Borrowings (continued)

#### iii. Foreign Trade Bank of Cambodia (“FTB”) (continued)

Repayment	First loan:	Principal is due on 1 April 2010 and 5 October 2010 of KHR1,200 million and KHR1,600 million respectively, and on 10 July 2009 the principal of KHR1,200 million has been paid.
	Second loan:	This loan was fully paid in January 2010.
	Third, Fourth and Fifth loan:	Principal is due on maturity date and interest is paid on monthly basis.
Security		These loans are secured by fixed deposits which are used to hedge against devaluation and depreciation risk, except for the fourth loan is secured by the letter of credit from Deutsche Bank Trust Company Americas.

#### iv. Symbiotics SA Information

Terms	First loan:	
	- First half (US\$250,000):	18 months, from 4 September 2008 to 4 March 2010.
	- Second half (US\$250,000):	24 months, from 4 September 2008 to 4 September 2010.
	Second loan:	
	- First (US\$300,000):	12 months, from 13 October 2008 to 13 October 2009.
	- Second (US\$300,000):	18 months, from 13 October 2008 to 13 April 2010.
	- Third (US\$400,000):	24 months, from 13 October 2008 to 13 October 2010.
	Third loan:	36 months, from 23 April 2009 to 23 April 2012.
	Fourth loan:	12 months, from 5 October 2009 to 5 October 2010.
Total credit facilities	First loan:	US\$500,000
	Second loan:	US\$1,000,000
	Third loan:	US\$1,000,000
	Fourth loan	THB17,000,000
Repayment		Principal is due on the maturity date and interest is paid semi-annually.
Security		These loans are unsecured.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 15. Borrowings (continued)

#### v. Oikocredit

Terms	First loan:	36 months, from 5 November 2007 to 5 November 2010.
	Second loan:	36 months, from 12 April 2008 to 30 April 2011.
	Third loan:	36 months, from 23 December 2009 to 23 December 2012.
Total credit facilities	First loan:	KHR4,056,000,000.
	Second loan:	KHR6,000,000,000.
	Third loan:	KHR6,150,000,000.
Repayment	First loan:	Principal of five equal semi-annual payments of KHR811,200,000 each; the first payment will be paid twelve months after the first disbursement and every six months thereafter. The interest is payable semi-annually, the first payment is paid six months after the first disbursement and every 6 months thereafter.
	Second loan:	Principal of five equal semi-annual payments of KHR1,200,000,000 each; the first payment will be paid twelve months after the first disbursement and every six months thereafter. The interest is payable semi-annually, the first payment is paid six months after the first disbursement and every six months thereafter.
	Third loan:	Principal of five equal semi-annual payments of KHR 1,230,000,000 each, the first payment will be paid twelve months after the first disbursement and every six months thereafter. The interest is payable semi-annually, the first payment is paid six months after the first disbursement and every six months thereafter.
Security		These loans are unsecured.

#### vi. Hivos-Triodos Fonds

The principal of the loan is KHR6,000 million with the 36 months period, starting from 27 November 2008 to 1 November 2011. The principal is due on the maturity date while the interest is paid semi-annually. The loan is unsecured.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 15. Borrowings (continued)

#### vii. BlueOrchard

Terms	First loan:	24 months, from 5 February 2008 to 5 February 2010.
	Second loan:	24 months, from 26 February 2008 to 26 February 2010.
	Third loan:	24 months, from 26 March 2008 to 26 March 2010.
Total credit facilities	First loan:	US\$500,000
	Second loan:	US\$300,000
	Third loan:	US\$500,000
Repayment	Principal is due on the maturity date and interest is paid semi-annually.	
Security	These loans are unsecured.	

#### viii. Rural Impulse Fund

The principal of the loan is THB34 million with the two years period, matures on 23 September 2010. The repayment of principal is due on the maturity date and interest is payable quarterly. The loan is unsecured.

#### ix. KIVA Microfunds

The loan is initially disbursed by AMK to the individual and group borrowers, and then the loan is disbursed upon request from AMK through access to website maintained by KIVA. The loan is unsecured and the principal will be paid by AMK on a monthly basis.

#### x. The Minerva Treehouse

The principal of the loan is KHR300 million and disbursed by tranches. The loan period is 60 months, from 30 November 2009 to 30 November 2014. The repayment of principal is due on the maturity date. The loan is unsecured.

(c) By interest rate:

	2009	2008
Khmer Riel	0% - 15.12%	10.50% - 13.95%
US Dollars	0% - 11.63%	0% - 11.63%
Thai Baht	11.40% - 12.56%	11.83% - 12.56%



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 16. Other liabilities

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Interest payable	1,892,656	453,983	2,398,130	587,633
Staff bonus	601,516	144,283	369,836	90,624
Staff incentive	317,486	76,154	303,586	74,390
Other tax payables	167,033	40,065	155,206	38,032
Others	148,273	35,566	204,744	50,170
	<u>3,126,964</u>	<u>750,051</u>	<u>3,431,502</u>	<u>840,849</u>

### 17. Provision for income tax

#### (a) Provision for income tax

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of year	1,066,524	261,339	552,357	137,986
Income tax expense	862,110	206,791	1,310,672	321,165
Income tax paid	(1,412,416)	(338,790)	(796,505)	(195,174)
Translation difference	-	(5,517)	-	(2,638)
	<u>516,218</u>	<u>123,823</u>	<u>1,066,524</u>	<u>261,339</u>

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

#### (b) Income tax expense

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Current income tax	862,110	206,791	1,310,672	321,165
Deferred tax	(352,639)	(84,586)	(335,516)	(82,214)
	<u>509,471</u>	<u>122,205</u>	<u>975,156</u>	<u>238,951</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 17. Provision for income tax (continued)

#### (b) Income tax expense (continued)

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

	2009			2008		
	KHR'000	US\$	%	KHR'000	US\$	%
Profit before income tax	2,377,901	570,377		4,999,614	1,225,095	
Income tax using statutory rate	475,580	114,075	20	999,923	245,019	20
Tax effect of:						
Non-deductible expenses	97,940	23,492	4	83,475	20,455	2
Recognition of prior year under recognised deferred tax asset	(82,472)	(19,782)	(3)	-	-	-
Effect of over provision in prior year	18,423	4,420	1	-	-	-
Prior year deferred tax not recognised	-	-	-	(166,477)	(40,793)	(3)
Effect of temporary difference	-	-	-	58,235	14,270	1
	<u>509,471</u>	<u>122,205</u>		<u>975,156</u>	<u>238,951</u>	

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

### 18. Provision for retirement benefits

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of year	1,206,083	295,536	633,563	158,272
Payment during the year	(96,103)	(23,052)	(51,877)	(12,712)
Charge during the year	996,567	239,042	595,881	146,013
Translation difference	19,239	(1,623)	28,516	3,963
Balance at end of year	<u>2,125,786</u>	<u>509,903</u>	<u>1,206,083</u>	<u>295,536</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 19. Share capital

The details of shareholding are as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Shares 1,362,770 of KHR25,000 each:				
Concern Worldwide (Dublin)	34,066,750	8,171,444	34,066,750	8,347,648
Concern Worldwide (UK)	2,500	600	2,500	612
	<u>34,069,250</u>	<u>8,172,044</u>	<u>34,069,250</u>	<u>8,348,260</u>

### 20. Interest income

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Loans to customers	34,421,605	8,256,562	24,665,058	6,043,876
Deposits and placements with banks	883,021	211,806	210,369	51,548
	<u>35,304,626</u>	<u>8,468,368</u>	<u>24,875,427</u>	<u>6,095,424</u>

### 21. Interest expenses

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Borrowings	9,171,093	2,199,830	4,278,452	1,048,383
Deposits from customers	46,570	11,171	62,663	15,355
	<u>9,217,663</u>	<u>2,211,001</u>	<u>4,341,115</u>	<u>1,063,738</u>

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Notes to the financial statements (continued) for the year ended 31 December 2009

#### 22. Other operating income

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Loan fee income	616,510	147,880	602,352	147,599
Gain on disposal	22,129	5,308	-	-
Bad debts recovered	34	8	470	115
Other income	119,866	28,751	41,332	10,128
	<u>758,539</u>	<u>181,947</u>	<u>644,154</u>	<u>157,842</u>

#### 23. Fee and 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 4.5% of interest collection.

#### 24. Operating and other expenses

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Staff costs	13,005,918	3,119,673	8,712,192	2,134,818
Depreciation and amortisation	1,620,679	388,745	884,205	216,664
Transportation costs	1,252,498	300,431	1,227,566	300,800
Office supplies and equipment	1,100,186	263,897	806,847	197,708
Office rentals	933,313	223,870	506,262	124,053
Professional services	923,652	221,552	551,219	135,070
Technical support costs	772,295	185,247	852,506	208,896
Communications	632,364	151,683	392,789	96,248
Utilities	261,270	62,670	215,656	52,844
Foreign exchange loss	478,265	114,719	274,060	67,155
Other expenses	571,081	136,983	458,164	112,268
	<u>21,551,521</u>	<u>5,169,470</u>	<u>14,881,466</u>	<u>3,646,524</u>

Technical support costs represent the salaries of the Chief Executive Officer and the Research Advisor which are paid directly by Concern Worldwide (Dublin).

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 25. Grant income

Grant income represents the grant received from the International Labour Office (“ILO”) for the data collection on work and/or services in connection with the Microfinance for decent work action research performed by AMK in head office and two other provinces of Kampong Cham and Kampong Thom, and the UNITUS Inc. for assisting with the continuing development of Ultra Poor Program. The program’s purpose is to design and deliver products and services that sustainably elevate the poorest people to a higher standard of living.

### 26. Net cash used in operating activities

	2009		2008	
	KHR’000	US\$	KHR’000	US\$
Profit before income tax	2,377,901	570,377	4,999,614	1,225,095
Adjustments for:				
Depreciation and amortisation	1,620,679	388,745	884,205	216,664
Provision for bad and doubtful loans	2,063,542	494,973	804,452	197,121
Gain on disposal of property and equipment	(22,129)	(5,308)	-	-
Provision for retirement benefits	996,567	239,042	595,881	146,013
Operating profit before changes in operating assets and liabilities	7,036,560	1,687,829	7,284,152	1,784,893
Increase in:				
Deposits and placements with banks	(23,278,113)	(5,583,620)	(5,407,325)	(1,325,500)
Statutory deposits	(5,000)	(1,199)	(1,196,017)	(293,069)
Loans to customers	(9,553,862)	(2,291,644)	(53,999,815)	(13,232,005)
Other receivables	(2,654,544)	(636,734)	(1,390,278)	(340,671)
Increase/(decrease) in:				
Deposits from customers	90,640	21,741	113,216	27,742
Due to a shareholder	(151,373)	(36,309)	(152,949)	(37,478)
Other liabilities	(381,402)	(91,485)	2,649,748	649,289
Cash used in operations	(28,897,094)	(6,931,421)	(52,099,268)	(12,766,799)
Income tax paid	(1,412,416)	(338,790)	(796,505)	(195,174)
Net cash used in operating activities	(30,309,510)	(7,270,211)	(52,895,773)	(12,961,973)

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 27. Cash and cash equivalents

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Cash on hand	681,603	163,493	567,753	139,121
Deposits and placements with banks	14,652,071	3,514,529	12,098,696	2,964,640
	<u>15,333,674</u>	<u>3,678,022</u>	<u>12,666,449</u>	<u>3,103,761</u>

### 28. Financial risk management

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

#### (a) Credit risk

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

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the 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 and procedures implemented to ensure compliance with NBC Guidelines.

The Company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 28. Financial risk management (continued)

#### (b) Operational risk

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

#### (c) Market risk

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

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

#### (i) Foreign currency exchange risk

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

The Company has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by National Bank of Cambodia. Management has entered into currency hedging transactions with a bank by obtaining loan in Khmer Riel against its United States Dollars fixed deposit since it considers that back-to-back lending is the most commonly used method to hedge against devaluation or depreciation risk.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 28. Financial risk management (continued)

#### (c) Market risk (continued)

##### (i) Foreign currency exchange risk (continued)

#### Concentration of currency risk

The aggregate amounts of assets and liabilities, by currency denomination, are as follows:

	(KHR equivalent)			Total
	KHR	US\$	THB	
31 December 2009				
Assets				
Cash on hand	494,277	132,132	55,194	681,603
Deposits and placements				
with banks	8,743,407	32,482,788	2,111,314	43,337,509
Statutory deposits	1,730,463	-	-	1,730,463
Loans to customers	93,545,398	1,422,182	7,091,690	102,059,270
Other receivables	1,961,334	2,810,069	137,860	4,909,263
Total financial assets	<u>106,474,879</u>	<u>36,847,171</u>	<u>9,396,058</u>	<u>152,718,108</u>
Liabilities				
Deposits from customers	136,297	563,857	21,095	721,249
Due to a shareholder	-	3,709	-	3,709
Borrowings	53,242,400	47,122,231	6,456,114	106,820,745
Other liabilities	1,522,120	1,496,760	108,084	3,126,964
Provision for income tax	516,218	-	-	516,218
Provision for retirement benefits	-	2,125,786	-	2,125,786
Total financial liabilities	<u>55,417,035</u>	<u>51,312,343</u>	<u>6,585,293</u>	<u>113,314,671</u>
Net asset/(liability) position	<u>51,057,844</u>	<u>(14,465,172)</u>	<u>2,810,765</u>	<u>39,403,437</u>
31 December 2008				
Total assets	95,093,645	12,851,939	8,677,322	116,622,906
Total liabilities	41,802,101	24,121,862	11,893,630	77,817,593
Net asset/(liability) position	<u>53,291,544</u>	<u>(11,269,923)</u>	<u>(3,216,308)</u>	<u>38,805,313</u>



# **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

## **Notes to the financial statements (continued) for the year ended 31 December 2009**

### **28. Financial risk management (continued)**

#### **(c) Market risk (continued)**

##### **(ii) Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

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

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Notes to the financial statements (continued) for the year ended 31 December 2009

#### 28. Financial risk management (continued)

##### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

2009	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
<b>Assets</b>								
Cash on hand	-	-	-	-	-	681,603	681,603	0%
Deposits and placements with banks	2,212,302	12,065,930	16,485,438	12,200,000	-	373,839	43,337,509	2.8%
Statutory deposits	-	-	-	-	1,703,463	27,000	1,730,463	2.95%
Loans to customers								
- Performing	4,512,138	15,374,904	43,120,631	38,758,308	-	-	101,765,981	34.01%
- Non performing	-	-	-	-	-	2,988,723	2,988,723	0%
- Allowance	-	-	-	-	-	(2,695,434)	(2,695,434)	0%
Other receivables	-	-	-	-	-	4,909,263	4,909,263	-
Deferred tax assets	-	-	-	-	-	688,155	688,155	-
<b>Total assets</b>	<b>6,724,440</b>	<b>27,440,834</b>	<b>59,606,069</b>	<b>50,958,308</b>	<b>1,703,463</b>	<b>6,973,149</b>	<b>153,406,263</b>	
<b>Liabilities</b>								
Deposits from customers	163,977	127,376	191,064	237,688	-	1,144	721,249	6.8%
Due to a shareholder	-	-	-	-	-	3,709	3,709	-
Borrowings	-	14,923,850	21,613,166	43,976,500	22,197,901	4,109,328	106,820,745	8.59%
Other liabilities	-	-	-	-	-	3,126,964	3,126,964	-
Provision for income tax	-	-	-	-	-	516,218	516,218	-
Provision for retirement benefits	-	-	-	-	-	2,125,786	2,125,786	-
<b>Total liabilities</b>	<b>163,977</b>	<b>15,051,226</b>	<b>21,804,230</b>	<b>44,214,188</b>	<b>22,197,901</b>	<b>9,883,149</b>	<b>113,314,671</b>	
<b>Maturity gap</b>	<b>6,560,463</b>	<b>12,389,608</b>	<b>37,801,839</b>	<b>6,744,120</b>	<b>(20,494,438)</b>	<b>(2,910,000)</b>	<b>40,091,592</b>	

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Notes to the financial statements (continued) for the year ended 31 December 2009

#### 28. Financial risk management (continued)

##### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

2008	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
<b>Assets</b>								
Cash on hand	-	-	-	-	-	567,753	567,753	-
Deposits and placements with banks	11,678,042	-	1,224,300	4,183,025	-	420,654	17,506,021	1.92%
Statutory deposits	-	-	-	-	1,703,463	22,000	1,725,463	2.87%
Loans to customers								
- Performing	1,194,155	10,073,069	30,101,560	53,878,833	-	-	95,247,617	35.8%
- Non performing	-	-	-	-	-	344,022	344,022	-
- Allowance	-	-	-	-	-	(1,022,689)	(1,022,689)	-
Other receivables	-	-	-	-	-	2,254,719	2,254,719	-
Deferred tax assets	-	-	-	-	-	335,516	335,516	-
<b>Total assets</b>	<b>12,872,197</b>	<b>10,073,069</b>	<b>31,325,860</b>	<b>58,061,858</b>	<b>1,703,463</b>	<b>2,921,975</b>	<b>116,958,422</b>	
<b>Liabilities</b>								
Deposits from customers	203,610	64,911	357,440	4,360	-	288	630,609	10.9%
Due to a shareholder	-	-	-	-	-	155,082	155,082	-
Borrowings	-	117,416	26,462,500	44,747,877	-	-	71,327,793	8.7%
Other liabilities	-	-	-	-	-	3,431,502	3,431,502	-
Provision for income tax	-	-	-	-	-	1,066,524	1,066,524	-
Provision for retirement benefits	-	-	-	-	-	1,206,083	1,206,083	-
<b>Total liabilities</b>	<b>203,610</b>	<b>182,327</b>	<b>26,819,940</b>	<b>44,752,237</b>	<b>-</b>	<b>5,859,479</b>	<b>77,817,593</b>	
<b>Maturity gap</b>	<b>12,668,587</b>	<b>9,890,742</b>	<b>4,505,920</b>	<b>13,309,621</b>	<b>1,703,463</b>	<b>(2,937,504)</b>	<b>39,140,829</b>	

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 28. Financial risk management (continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

###### *Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate liabilities at fair value through profit or loss, and the Company does not have derivatives as at the period end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

###### *Cash flow sensitivity analysis for variable-rate instruments*

The Company does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

#### (d) Liquidity risk

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

In addition to full compliance of all liquidity requirements, the Management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

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

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Notes to the financial statements (continued) for the year ended 31 December 2009

#### 28. Financial risk management (continued)

##### (d) Liquidity risk (continued)

2009	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	Over 5 years KHR'000	No fixed terms KHR'000	Total KHR'000
<b>Assets</b>							
Cash on hand	681,603	-	-	-	-	-	681,603
Deposits and placements with banks	2,586,141	12,065,930	16,485,438	12,200,000	-	-	43,337,509
Statutory deposits	-	-	-	-	-	1,730,463	1,730,463
Loans to customers							
- Performing	4,512,138	15,374,904	43,120,631	38,758,308	-	-	101,765,981
- Non performing	-	-	-	-	-	2,988,723	2,988,723
- Allowance	-	-	-	-	-	(2,695,434)	(2,695,434)
Other receivables	2,667,202	2,092,344	86,334	63,383	-	-	4,909,263
Deferred tax assets	-	-	-	-	-	688,155	688,155
<b>Total assets</b>	<b>10,447,084</b>	<b>29,533,178</b>	<b>59,692,403</b>	<b>51,021,691</b>	<b>-</b>	<b>2,711,907</b>	<b>153,406,263</b>
<b>Liabilities</b>							
Deposits from customers	165,121	127,376	191,064	237,688	-	-	721,249
Due to a shareholder	-	3,709	-	-	-	-	3,709
Borrowings	-	14,923,850	21,613,166	44,006,500	22,197,901	4,079,328	106,820,745
Other liabilities	1,079,523	924,965	1,122,476	-	-	-	3,126,964
Provision for income tax	35,298	480,920	-	-	-	-	516,218
Provision for retirement benefits	-	-	-	-	-	2,125,786	2,125,786
<b>Total liabilities</b>	<b>1,279,942</b>	<b>16,460,820</b>	<b>22,926,706</b>	<b>44,244,188</b>	<b>22,197,901</b>	<b>6,205,114</b>	<b>113,314,671</b>
<b>Maturity gap</b>	<b>9,167,142</b>	<b>13,072,358</b>	<b>36,765,697</b>	<b>6,777,503</b>	<b>(22,197,901)</b>	<b>(3,493,207)</b>	<b>40,091,592</b>

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Notes to the financial statements (continued) for the year ended 31 December 2009

#### 28. Financial risk management (continued)

##### (d) Liquidity risk (continued)

2008	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	Over 5 years KHR'000	No fixed terms KHR'000	Total KHR'000
<b>Assets</b>							
Cash on hand	567,753	-	-	-	-	-	567,753
Deposits and placements with banks	12,098,696	-	1,224,300	4,183,025	-	-	17,506,021
Statutory deposits	-	-	-	-	-	1,725,463	1,725,463
Loans to customers							
- Performing	1,194,155	10,073,069	30,101,560	53,878,833	-	-	95,247,617
- Non performing	-	-	-	-	-	344,022	344,022
- Allowance	-	-	-	-	-	(1,022,689)	(1,022,689)
Other receivables	1,715,404	83,130	111,804	292,768	-	51,613	2,254,719
Deferred tax assets	-	-	-	-	-	335,516	335,516
<b>Total assets</b>	<b>15,576,008</b>	<b>10,156,199</b>	<b>31,437,664</b>	<b>58,354,626</b>	<b>-</b>	<b>1,433,925</b>	<b>116,958,422</b>
<b>Liabilities</b>							
Deposits from customers	203,898	64,911	357,440	4,360	-	-	630,609
Due to a shareholder	-	155,082	-	-	-	-	155,082
Borrowings	-	117,416	26,462,500	44,747,877	-	-	71,327,793
Other liabilities	664,550	1,573,637	1,193,315	-	-	-	3,431,502
Provision for income tax	34,363	1,032,161	-	-	-	-	1,066,524
Provision for retirement benefits	-	-	-	-	-	1,206,083	1,206,083
<b>Total liabilities</b>	<b>902,811</b>	<b>2,943,207</b>	<b>28,013,255</b>	<b>44,752,237</b>	<b>-</b>	<b>1,206,083</b>	<b>77,817,593</b>
<b>Maturity gap</b>	<b>14,673,197</b>	<b>7,212,992</b>	<b>3,424,409</b>	<b>13,602,389</b>	<b>-</b>	<b>227,842</b>	<b>39,140,829</b>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 28. Financial risk management (continued)

#### (e) Capital management

##### (i) Regulatory capital

The Company's lead regulator, the National Bank of Cambodia ("NBC"), sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

##### (ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

### 29. Commitments and contingencies

#### (a) Operations

In the normal course of business, the Company makes commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions which consist of:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Forward rate agreement	4,169,000	1,000,000	-	-
Credit line	2,952,890	708,297	-	-
	<u>7,121,890</u>	<u>1,708,297</u>	<u>-</u>	<u>-</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2009

### 29. Commitments and contingencies (continued)

#### (b) Lease commitments

The Company has lease commitments in respect of the lease of the Company's registered office in Phnom Penh, and branches in Banteay Meanchey, Battambang, Dangkor, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Kandal, Kratie, Kampot, Monduliri, Muk Kampoul, Otdor Meanchey, Preah Vihear, Prey Veng, Pursat, Ratanakiri, Siem Reap, Sihanouk Ville, Stung Treng, Svay Rieng and Takeo. The total remaining rental commitments as at 31 December are due as follows:

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
Within 1 year	645,560	154,848	102,214	25,046
2 to 3 years	1,425,706	341,978	36,113	8,849
Over 3 years	329,630	79,067	-	-
	<u>2,400,896</u>	<u>575,893</u>	<u>138,327</u>	<u>33,895</u>

#### (c) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

### 30. Related party transactions

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

	2009		2008	
	KHR'000	US\$	KHR'000	US\$
With shareholder				
Technical support charged	3,709	890	155,082	38,001
Conversion of loans and Interest payable	-	-	23,920,325	5,861,388
	<u>-</u>	<u>-</u>	<u>23,920,325</u>	<u>5,861,388</u>



# **Angkor Mikroheranhvatho (Kampuchea) Co., Ltd**

## **Notes to the financial statements (continued) for the year ended 31 December 2009**

### **31. Fair values of financial assets and liabilities**

The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at 31 December 2009.