

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

**Financial Statements  
and  
Auditors' report  
31 December 2008**

## Corporate Information

Company	Angkor Mikroheranhvatho (Kampuchea) Co., Ltd
Registration No	Co. 1698/03E
Registered office	No. 191 Block F, Phnom Penh Center (Corner Sihanouk and Sothearos Blvd), Tonle Bassac, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia
Shareholders	Concern Worldwide (Dublin) Concern Worldwide (UK)
Board of Directors	Mr. Thomas James O' Higgins, Chairman Mr. Pel Piseth, Secretary Mr. Howard Dalzell Mr. Paul Luchtenburg Mr. Peter Power Mr. Peter Baynard Smith Mr. Tip Janvibol Mr. Gerhard Bruckermann Mr. Tanmay Chetan Mr. Adam Mooney
Auditor	KPMG Cambodia Ltd
Principal banker	Aceda Bank Plc Ltd

## Contents

	Page
1 Report of the Board of Directors	1
2 Report of the independent auditors	6
3 Balance sheet	8
4 Income statement	9
5 Statement of changes in equity	10
6 Statement of cash flows	11
7 Notes to the financial statements	12



## 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 2008.

### 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 2008 were as follows:

	KHR'000
Profit before income tax	4,999,614
Income tax	(975,156)
Profit after income tax	4,024,458

### 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.

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

## **Report of the Board of Directors (continued)**

### **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.

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

## **Report of the Board of Directors (continued)**

### **Items of unusual nature**

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, 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. Pel Piseth, Secretary.
- Mr. Howard Dalzell, Director.
- Mr. Paul Luchtenburg Director.
- Mr. Peter Power, Director.
- Mr. Peter Baynard Smith, Director.
- Mr. Tip Janvibol, Director.
- Mr. Gerhard Bruckermann, Director.
- Mr. Tanmay Chetan, Director.
- Mr. Adam Mooney, Director.

All members are non-executive board members, except Mr. Paul Luchtenburg who holds the position of Chief Executive Officer.

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

## **Report of the Board of Directors (continued)**

### **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.

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.

### **Share capital**

During the year the Company increased its registered share capital from KHR10,149 million to KHR34,069 million through the conversion of loans from Concern Worldwide (Dublin) and interest payable to Concern Worldwide (Dublin) of KHR23,606 million. The approval was obtained from the NBC on 16 July 2008.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Report of the Board of Directors (continued)


### 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 2008, 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.

*On behalf of the Board of Directors*



Mr. Thomas James O'Higgins  
*Chairman*

Date: 17/3/09





## **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 2008, 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 8 to 54.

### **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 Cambodian Standards on Auditing and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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 2008, 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



17 March 2009

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Balance sheet As at 31 December 2008

	Note	2008		2007	
		KHR'000	US\$	KHR'000	US\$
<b>Assets</b>					
Cash on hand	5	567,753	139,121	282,765	70,638
Deposits and placements with banks	6	17,506,021	4,289,640	4,511,587	1,127,052
Statutory deposits	7	1,725,463	422,804	529,446	132,262
Loans to customers	8	94,568,950	23,172,985	41,373,587	10,335,645
Other receivables	9	2,254,719	552,492	864,441	215,948
Intangible assets	10	597,444	146,396	25,371	6,338
Property and equipment	11	2,916,598	714,677	1,731,705	432,602
Deferred tax assets	12	335,516	82,214	-	-
<b>Total assets</b>		<b>120,472,464</b>	<b>29,520,329</b>	<b>49,318,902</b>	<b>12,320,485</b>
<b>Liabilities and shareholders' equity</b>					
Deposits from customers	13	630,609	154,523	517,393	129,251
Due to a shareholder	14	155,082	38,001	308,031	76,950
Borrowings	15	71,327,793	17,478,018	31,839,077	7,953,804
Other liabilities	16	3,431,502	840,849	758,393	189,456
Provision for income tax	17	1,066,524	261,339	552,357	137,986
Provision for retirement benefits	18	1,206,083	295,536	633,563	158,272
<b>Total liabilities</b>		<b>77,817,593</b>	<b>19,068,266</b>	<b>34,608,814</b>	<b>8,645,719</b>
<b>Shareholders' equity</b>					
Share capital	19	34,069,250	8,348,260	10,148,925	2,535,330
Retained earnings		8,585,621	2,103,803	4,561,163	1,139,436
<b>Total shareholders' equity</b>		<b>42,654,871</b>	<b>10,452,063</b>	<b>14,710,088</b>	<b>3,674,766</b>
<b>Total liabilities and shareholders' equity</b>		<b>120,472,464</b>	<b>29,520,329</b>	<b>49,318,902</b>	<b>12,320,485</b>

The accompanying notes form part of these financial statements

## Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

### Income statement for the year ended 31 December 2008

		2008		2007	
	Note	KHR'000	US\$	KHR'000	US\$
Interest income	20	24,875,427	6,095,424	11,033,452	2,756,296
Interest expenses	21	(4,341,115)	(1,063,738)	(501,155)	(125,195)
Net interest income		20,534,312	5,031,686	10,532,297	2,631,101
Other operating income	22	1,011,762	247,920	1,334,338	333,334
Operating income		21,546,074	5,279,606	11,866,635	2,964,435
Fee and commission expenses	23	(860,542)	(210,866)	(445,591)	(111,314)
Operating and other expenses	24	(14,881,466)	(3,646,524)	(7,265,860)	(1,815,104)
Provision for bad and doubtful loans	8	(804,452)	(197,121)	(217,976)	(54,453)
Profit before income tax		4,999,614	1,225,095	3,937,208	983,564
Income tax expense	17	(975,156)	(238,950)	(641,844)	(160,340)
Net profit for the year		4,024,458	986,145	3,295,364	823,224

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 2008

	Share capital KHR'000	Retained earnings KHR'000	Total KHR'000
Balance as at 1 January 2007	10,148,925	1,265,799	11,414,724
Net profit for the year	-	3,295,364	3,295,364
Balance as at 31 December 2007	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
(US\$ equivalent)	8,348,260	2,103,803	10,452,063

The accompanying notes form part of these financial statements

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Statement of cash flows for the year ended 31 December 2008

	Note	2008 KHR'000	2008 US\$	2007 KHR'000	2007 US\$
<b>Cash flows from operating activities</b>					
Net cash used in operating activities	25	(51,671,473)	(12,661,473)	(15,269,882)	(3,814,610)
<b>Cash flows from investing activities</b>					
Purchase of intangible assets		(641,813)	(157,269)	-	-
Purchase of property and equipment		(1,999,358)	(489,918)	(1,181,719)	(295,208)
Proceeds from disposal of property and equipment		-	-	14,466	3,614
Net cash used in investing activities		(2,641,171)	(647,187)	(1,167,253)	(291,594)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		64,497,927	15,804,441	19,507,218	4,873,150
Repayments of borrowings		(1,088,886)	(266,818)	(316,080)	(78,961)
Net cash generated from financing activities		63,409,041	15,537,623	19,191,138	4,794,189
<b>Net increase in cash and cash equivalents</b>		9,096,397	2,228,963	2,754,003	687,985
<b>Cash and cash equivalents at beginning of year</b>		4,794,352	1,197,690	2,040,349	502,921
Translation difference		-	(22,892)	-	6,784
<b>Cash and cash equivalents at end of year</b>	26	13,890,749	3,403,761	4,794,352	1,197,690

### 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 2008

### 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.

AMK provides credit services to poor families in twenty provinces of Banteay Meanchey, Battambang, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Pursat, Siem Reap, Otdor Meanchey, Prey Veng, Svay Rieng, Kandal, Takeo, Kratie, Preah Vihear, Kampot, Sihanouk Ville, Stung Treng, Ratanakiri and Mondulakiri. 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 2008, the Company had 566 employees (31 December 2007: 349).

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

## **Notes to the financial statements (continued) for the year ended 31 December 2008**

### **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.

Cambodian Financial Reporting Standard 7, Financial Instruments: Disclosures, has been promulgated in 2007 and is effective for annual periods beginning on or after 1 January 2008. Adoption of this standard increases the level of disclosures in respect of financial instruments, but has no impact on the reported profits or financial position of the Company.

#### **(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 2008**

### **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 provinces of Banteay Meanchey, Battambang, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Pursat, Siem Reap, Otdor Meanchey, Prey Veng, Svay Rieng, Kandal, Takeo, Kratie, Preah Vihear, Kampot, Sihanouk Ville, Stung Treng, Ratanakiri and Mondulkiri, 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 placement 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 2008

### 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.

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. 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 2008

### 3. Significant accounting policies (continued)

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

##### *Overdue loans*

In accordance with Prakas B7-00-51 issued by the National Bank of Cambodia on 17 February 2000, overdue loans are defined as the total outstanding principal where principal or interest are past due unless the payment terms on interest or principal have been adjusted.

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 when, in the judgment of the management, there is no prospect of recovery, after taking into consideration the realisable value of the collateral, if any.

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

#### (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 2008

### 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 2008

### 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 2008

### 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:

Number of working months	Total pension provided to employees
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.

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

## **Notes to the financial statements (continued) for the year ended 31 December 2008**

### **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 2008

### 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: KHR4,081 (2007: KHR4,003) published by the NBC on 31 December 2008. 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.

### 5. Cash on hand

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Head office	12,214	2,993	15,865	3,963
Provincial branches				
Banteay Meanchey	70,873	17,367	47,944	11,977
Battambang	26,494	6,492	12,926	3,229
Kampong Cham	13,787	3,378	3,581	895
Kampong Chhnang	34,010	8,334	12,669	3,165
Kampong Speu	49,941	12,237	21,549	5,383
Kampong Thom	19,342	4,740	22,504	5,622
Kandal	30,039	7,361	4,531	1,132
Kratie	7,815	1,915	10,575	2,642
Otdor Meanchey	18,158	4,449	27,711	6,922
Preah Vihear	61,313	15,024	32,640	8,154
Prey Veng	23,921	5,862	35,664	8,909
Pursat	12,695	3,111	4,658	1,164
Siem Reap	9,068	2,222	5,625	1,405
Svay Rieng	37,517	9,193	12,710	3,175
Takeo	47,087	11,538	11,613	2,901
Kampot	24,320	5,959	-	-
Mondulkiri	14,805	3,628	-	-
Ratanakiri	8,513	2,086	-	-
Sihanouk Ville	29,984	7,347	-	-
Stung Treng	15,857	3,885	-	-
	<u>567,753</u>	<u>139,121</u>	<u>282,765</u>	<u>70,638</u>



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 5. Cash on hand (continued)

The above amounts are analysed as follows:

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
By currency:				
Khmer Riel	456,619	111,889	195,497	48,838
Thai Baht	67,751	16,602	44,900	11,216
US Dollar	43,383	10,630	42,368	10,584
	<u>567,753</u>	<u>139,121</u>	<u>282,765</u>	<u>70,638</u>
	<u><u>567,753</u></u>	<u><u>139,121</u></u>	<u><u>282,765</u></u>	<u><u>70,638</u></u>

### 6. Deposits and placements with banks

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Aceda Bank Plc Ltd	8,058,432	1,974,622	4,503,222	1,124,963
National Bank of Cambodia	1,264,564	309,866	8,365	2,089
Foreign Trade Bank (FTB)	8,183,025	2,005,152	-	-
	<u>17,506,021</u>	<u>4,289,640</u>	<u>4,511,587</u>	<u>1,127,052</u>
	<u><u>17,506,021</u></u>	<u><u>4,289,640</u></u>	<u><u>4,511,587</u></u>	<u><u>1,127,052</u></u>

The above amounts are analysed as follows:

(a) By maturity:

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Within 1 month	12,098,696	2,964,640	4,511,587	1,127,052
Within 6 months	1,224,300	300,000	-	-
Within 24 months	4,183,025	1,025,000	-	-
	<u>17,506,021</u>	<u>4,289,640</u>	<u>4,511,587</u>	<u>1,127,052</u>
	<u><u>17,506,021</u></u>	<u><u>4,289,640</u></u>	<u><u>4,511,587</u></u>	<u><u>1,127,052</u></u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

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

(b) By currency:

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Khmer Riel	5,157,620	1,263,813	3,407,097	851,136
Thai Baht	855,919	209,733	954,520	238,451
US Dollars	11,492,482	2,816,094	149,970	37,465
	<u>17,506,021</u>	<u>4,289,640</u>	<u>4,511,587</u>	<u>1,127,052</u>

(c) By interest rate (per annum):

Aceda Bank Plc Ltd	2% - 5%	2% - 5%
Foreign Trade Bank (FTB)	0.75%	-

### 7. Statutory deposits

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Statutory deposits on:				
Registered share capital	1,703,463	417,413	507,446	126,766
Customers' deposits	22,000	5,391	22,000	5,496
	<u>1,725,463</u>	<u>422,804</u>	<u>529,446</u>	<u>132,262</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 2008

#### 8. Loans to customers

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Village Bank loans:				
Credit line	20,730,537	5,079,769	9,352,874	2,336,466
End of term	23,281,576	5,704,870	14,877,513	3,716,591
Installment	15,226,696	3,731,119	8,293,450	2,071,809
Individual loans:				
Emergency - end of term	2,876,257	704,792	759,775	189,801
Installment	32,514,796	7,967,360	7,975,231	1,992,314
Staff loans	961,777	235,672	535,826	133,856
	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>
Allowance for bad and doubtful loans				
Specific	(80,034)	(19,611)	(8,722)	(2,179)
General	(942,655)	(230,986)	(412,360)	(103,013)
	<u>(1,022,689)</u>	<u>(250,597)</u>	<u>(421,082)</u>	<u>(105,192)</u>
	<u><u>94,568,950</u></u>	<u><u>23,172,985</u></u>	<u><u>41,373,587</u></u>	<u><u>10,335,645</u></u>
Total number of loans		197,222		122,654

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

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
At beginning of year	421,082	105,192	217,246	53,548
Provision during the year	804,452	197,121	217,976	54,453
Written off during the year	(193,024)	(47,298)	(23,136)	(5,780)
Translation difference	(9,821)	(4,418)	8,996	2,971
At end of year	<u><u>1,022,689</u></u>	<u><u>250,597</u></u>	<u><u>421,082</u></u>	<u><u>105,192</u></u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 8. Loans to customers (continued)

The loans to customers are analysed as follows:

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
(a) By maturity:				
Within 1 month	1,194,155	292,613	1,054,880	263,523
1 to 3 months	10,073,069	2,468,285	7,405,307	1,849,939
3 to 12 months	30,101,560	7,376,025	27,035,362	6,753,775
More than 12 months	54,222,855	13,286,659	6,299,120	1,573,600
	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>
(b) By currency:				
Khmer Riel	86,964,416	21,309,585	34,300,576	8,568,718
Thai Baht	7,665,446	1,878,325	6,958,267	1,738,263
US Dollar	961,777	235,672	535,826	133,856
	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>
(c) By economic sector:				
Agriculture	48,119,335	11,791,065	27,848,878	6,957,002
Construction	1,591,855	390,065	173,379	43,312
Household/family	6,401,035	1,568,496	1,621,370	405,039
Services	1,386,633	339,778	1,226,096	306,294
Trade and commerce	36,187,078	8,867,208	10,209,236	2,550,396
Transportation	435,205	106,642	272,700	68,124
Other categories	1,470,498	360,328	443,010	110,670
	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>
(d) By residency status:				
Residents	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 8. Loans to customers (continued)

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
(e) By relationship:				
External customers	94,629,862	23,187,910	41,258,843	10,306,981
Staff loans	961,777	235,672	535,826	133,856
	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>
(f) By locations:				
Head office	961,777	235,672	535,826	133,856
Provincial branches				
Banteay Meanchey	7,665,447	1,878,326	6,958,268	1,738,263
Battambang	6,981,378	1,710,703	2,965,359	740,784
Kampong Cham	8,571,644	2,100,378	4,522,490	1,129,775
Kampong Chhnang	4,080,110	999,782	1,787,103	446,441
Kampong Speu	8,169,384	2,001,809	5,597,883	1,398,422
Kampong Thom	8,150,610	1,997,209	3,692,383	922,404
Kandal	5,048,896	1,237,171	1,239,269	309,585
Kratie	4,570,653	1,119,984	1,414,381	353,330
Otdor Meanchey	3,337,410	817,792	1,344,029	335,756
Preah Vihear	2,462,978	603,523	662,193	165,424
Prey Veng	4,665,494	1,143,223	891,610	222,735
Pursat	6,181,233	1,514,637	4,052,715	1,012,420
Siem Reap	6,770,460	1,659,020	3,989,236	996,562
Svay Rieng	4,810,591	1,178,778	1,228,452	306,883
Takeo	4,706,325	1,153,228	913,472	228,197
Kampot	3,579,969	877,228	-	-
Mondulkiri	364,691	89,363	-	-
Ratanakiri	720,396	176,524	-	-
Sihanouk Ville	3,209,088	786,349	-	-
Stung Treng	583,105	142,883	-	-
	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 8. Loans to customers (continued)

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
(g) By performance:				
Standard loans:				
Secured	33,250,553	8,147,649	8,503,423	2,124,263
Unsecured	61,997,064	15,191,635	33,267,658	8,310,682
Sub-standard loans:				
Secured	203,572	49,883	3,660	914
Unsecured	62,537	15,324	11,301	2,823
Doubtful loans:				
Secured	11,464	2,808	953	238
Unsecured	23,521	5,764	1,048	262
Loans loss:				
Secured	10,985	2,692	3,022	755
Unsecured	31,943	7,827	3,604	900
	<u>95,591,639</u>	<u>23,423,582</u>	<u>41,794,669</u>	<u>10,440,837</u>
(h) By interest rate (per annum):				
External customers		30% - 36%		30% - 36%
Staff loans		12%		12%

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

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 2008, there are 222 staff loans (2007: 191), 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 2008

### 9. Other receivables

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Interest receivable	1,572,777	385,390	665,229	166,183
Prepayments and deposits	573,267	140,472	184,620	46,120
Others	108,675	26,630	14,592	3,645
	<u>2,254,719</u>	<u>552,492</u>	<u>864,441</u>	<u>215,948</u>

### 10. Intangible assets

	Micro Banker Software license	
	KHR'000	US\$
<b>Cost</b>		
At 1 January 2008	132,507	33,102
Additions	641,813	157,269
Translation difference	-	(634)
At 31 December 2008	<u>774,320</u>	<u>189,737</u>
<b>Less: Accumulated amortisation</b>		
At 1 January 2008	107,136	26,764
Charge for the year	69,740	17,089
Translation difference	-	(512)
At 31 December 2008	<u>176,876</u>	<u>43,341</u>
<b>Net book value</b>		
At 31 December 2008	<u>597,444</u>	<u>146,396</u>
At 31 December 2007	<u>25,371</u>	<u>6,338</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 11. Property and equipment

	Motor Vehicles KHR'000	Motorcycles KHR'000	Computer and office equipment KHR'000	Total KHR'000
<b>Cost</b>				
At 1 January 2008	1,009,801	1,051,009	759,525	2,820,335
Additions	506,878	1,047,141	445,339	1,999,358
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	1,516,679	2,098,150	1,204,864	4,819,693
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Less: Accumulated depreciation</b>				
At 1 January 2008	470,942	296,532	321,156	1,088,630
Charge for the year	180,822	361,605	272,038	814,465
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	651,764	658,137	593,194	1,903,095
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>				
At 31 December 2008	864,915	1,440,013	611,670	2,916,598
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2007	538,859	754,477	438,369	1,731,705
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 11. Property and equipment (continued)

	Motor Vehicles US\$	Motorcycles US\$	Computer and office equipment US\$	Total US\$
<b>Cost</b>				
At 1 January 2008	252,261	262,555	189,739	704,555
Additions	124,204	256,589	109,125	489,918
Translation difference	(4,821)	(5,017)	(3,627)	(13,465)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2008	<u>371,644</u>	<u>514,127</u>	<u>295,237</u>	<u>1,181,008</u>
 <b>Less: Accumulated depreciation</b>				
At 1 January 2008	117,647	74,077	80,229	271,953
Charge for the year	44,308	88,607	66,660	199,575
Translation difference	(2,248)	(1,415)	(1,534)	(5,197)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2008	<u>159,707</u>	<u>161,269</u>	<u>145,355</u>	<u>466,331</u>
 <b>Net book value</b>				
At 31 December 2008	<u>211,937</u>	<u>352,858</u>	<u>149,882</u>	<u>714,677</u>
At 31 December 2007	<u>134,614</u>	<u>188,478</u>	<u>109,510</u>	<u>432,602</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 12. Deferred tax assets

Deferred tax assets comprise of:

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Provision for retirement benefit and Khmer New Year bonus	315,184	77,232	-	-
General provision	106,059	25,988	-	-
Unrealised exchange losses	54,812	13,431	-	-
Depreciation	(140,539)	(34,437)	-	-
	<u>335,516</u>	<u>82,214</u>	<u>-</u>	<u>-</u>

### 13. Deposits from customers

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
General savings	47,187	11,562	111,623	27,885
Loan-linked savings	439,262	107,636	238,998	59,705
Staff savings	144,160	35,325	166,772	41,661
	<u>630,609</u>	<u>154,523</u>	<u>517,393</u>	<u>129,251</u>

The general (voluntary) savings is available for the Company's borrowers only and bears interest at the rate of 18% 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 not required since 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 and subsequently the Company has applied for a license but this is not yet approved by NBC.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 13. Deposits from customers (continued)

The deposits from customers are analysed as follows:

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
(a) By currency:				
Khmer Riel	444,260	108,861	294,792	73,643
Thai Baht	42,194	10,339	55,829	13,947
US Dollar	144,155	35,323	166,772	41,661
	<u>630,609</u>	<u>154,523</u>	<u>517,393</u>	<u>129,251</u>
	<u><u>630,609</u></u>	<u><u>154,523</u></u>	<u><u>517,393</u></u>	<u><u>129,251</u></u>
(b) By maturity:				
Within 1 month	203,898	49,963	287,368	71,788
1 to 3 months	64,911	15,906	18,924	4,727
3 to 12 months	357,440	87,586	162,469	40,587
More than 12 months	4,360	1,068	48,632	12,149
	<u>630,609</u>	<u>154,523</u>	<u>517,393</u>	<u>129,251</u>
	<u><u>630,609</u></u>	<u><u>154,523</u></u>	<u><u>517,393</u></u>	<u><u>129,251</u></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 2008

### 15. Borrowings

	Note	2008		2007	
		KHR'000	US\$	KHR'000	US\$
Concern Worldwide	i	-	-	23,228,725	5,802,829
Moringaway	ii	25,061,500	6,141,019	-	-
Symbiotics SA					
Information	iii	9,897,500	2,425,263	-	-
Oikocredit	iv	9,244,800	2,265,327	4,056,000	1,013,240
BlueOrchard	v	9,051,800	2,218,035	4,159,250	1,039,033
Hivos-Triodos Fonds	vi	6,000,000	1,470,228	-	-
Rural Impulse Fund	vii	4,040,202	990,003	-	-
Foreign Trade Bank					
of Cambodia	viii	4,000,000	980,152	-	-
KIVA Microfunds	ix	3,914,575	959,220	-	-
Micro Finance Alliance					
Fund	x	117,416	28,771	395,102	98,702
		<u>71,327,793</u>	<u>17,478,018</u>	<u>31,839,077</u>	<u>7,953,804</u>

The borrowings are analysed as follows:

(a) By Maturity:

Within 1 year	26,579,916	6,513,089	1,127,282	281,609
1 to 5 years	44,747,877	10,964,929	7,483,070	1,869,366
Above 5 years	-	-	23,228,725	5,802,829
	<u>71,327,793</u>	<u>17,478,018</u>	<u>31,839,077</u>	<u>7,953,804</u>

(b) By currency:

Khmer Riel	38,302,216	9,385,498	17,672,327	4,414,771
Thai Baht	11,562,702	2,833,301	4,159,250	1,039,033
US Dollars	21,462,875	5,259,219	10,007,500	2,500,000
	<u>71,327,793</u>	<u>17,478,018</u>	<u>31,839,077</u>	<u>7,953,804</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 15. Borrowings (continued)

#### i. Concern Worldwide

Concern Worldwide (Dublin) the majority shareholder, in September 2007 has approved to convert all of its loans, interest receivable arising from the loan and the amount due from the Company into share capital. The increase of share capital was subsequently approved by the National Bank of Cambodia on 16 July 2008.

#### ii. Moringaway

Terms	First loan:	The first and second loan, through the board resolution on 26 September 2008, will be converted into share capital in 2009.
	Second loan:	
	Third loan:	36 months, from 21 August 2008 to 21 August 2011.
Total credit facilities	First loan:	US\$3,000,000
	Second loan:	US\$1,700,000
	Third loan:	US\$1,500,000
Repayment	Principal is due on the maturity date and interest is paid annually.	
Interest rate	First loan:	Interest rate is 10% per annum.
	Second loan:	Interest rate is 10% per annum.
	Third loan:	Interest rate is 10% per annum.
Security	These loans are unsecured.	

#### iii. Symbiotics SA Information

Terms	First loan:	12 months, from 1 August 2008 to 6 August 2009.
	Second 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.
	Third 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.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 15. Borrowings (continued)

#### iii. Symbiotics SA Information (continued)

Total credit facilities	First loan: THB32,000,000 Second loan: US\$500,000 Third loan: US\$1,000,000
Repayment	Principal is due on the maturity date and interest is paid semi-annually.
Interest rate	First loan: Interest rate is 10.80% per annum. Second loan: Interest rate is 8.50% per annum. Third loan: Interest rate is 8.50% per annum.
Security	These loans are unsecured.

#### iv. 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.
Total credit facilities	First loan: KHR4,056,000,000. Second loan: KHR6,000,000,000.
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.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 15. Borrowings (continued)

#### iv. Oikocredit (continued)

Interest rate	First loan:	Interest rate is 11% per annum.
	Second loan:	Interest rate is 9.50% per annum.
Security	These loans are unsecured.	

#### v. BlueOrchard

Terms	First loan:	24 months, from 21 September 2007 to 21 September 2009.
	Second loan:	24 months, from 23 October 2007 to 23 October 2009.
	Third loan:	24 months, from 5 February 2008 to 5 February 2010.
	Fourth loan:	24 months, from 26 February 2008 to 26 February 2010.
	Fifth loan:	24 months, from 26 March 2008 to 26 March 2010.
Total credit facilities	First loan:	THB16,000,000
	Second loan:	THB15,750,000
	Third loan:	US\$500,000
	Fourth loan:	US\$300,000
	Fifth loan:	US\$500,000
Repayment	Principal is due on the maturity date and interest is paid semi-annually.	
Interest rate	First loan:	Interest rate is 10.8% per annum.
	Second loan:	Interest rate is 10.17% per annum.
	Third loan:	Interest rate is 7.75% per annum.
	Fourth loan:	Interest rate is 7.90% per annum.
	Fifth loan:	Interest rate is 8.00% per annum.
Security	These loans are unsecured.	

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

## **Notes to the financial statements (continued) for the year ended 31 December 2008**

### **15. Borrowings (continued)**

#### **vi. Hivos-Triodos Fonds**

The Company entered into a loan agreement with Hivos-Triodos Fonds on 3 November 2008 for KHR6,000 million with interest at a rate of 12% payable semi-annually in arrears. The loan is unsecured and is given for a period of 36 months maturing on 1 November 2011.

#### **vii. Rural Impulse Fund**

The Company entered into a loan agreement with Rural Impulse Fund on 11 September 2008 for THB34 million. The loan period is 24 months and matures on 23 September 2010. The repayment of principal is due on the maturity date and interest is payable quarterly at a rate of 10.50% per annum. The loan is unsecured.

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

The Company entered into a loan agreement with Foreign Trade Bank of Cambodia on 15 December 2008 for KHR4,000 million. The loan period is 24 months and matures on 15 December 2010. The repayment of principal is due on 5 October 2009, 1 April 2010 and 5 October 2010 of KHR1,200 million, KHR1,200 million and KHR1,600 million respectively with interest at a rate of 0.83% per month or 10% per annum. The loan is secured by fixed deposit which is used to hedge against devaluation and depreciation risk.

#### **ix. KIVA Microfunds**

The Company entered into a loan agreement with KIVA Microfunds on 16 January 2008 for a loan with interest at a rate of 0%.

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.



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 15. Borrowings (continued)

#### x. Micro Finance Alliance Fund

Terms	First loan:	36 months, from 25 January 2006 to 9 January 2009.
	Second loan:	36 months, from 13 March 2006 to 25 February 2009.
Total credit facilities	First loan:	KHR406,246,532
	Second loan:	KHR383,956,600
Repayment	First loan:	Principal and interest are repaid on a quarterly basis.
	Second loan:	Principal and Interest are repaid on a quarterly basis.
Interest rate	First loan:	Interest rate is 11.63% per annum.
	Second loan:	Interest rate is 11.63% per annum.
Security		These loans are unsecured

### 16. Other liabilities

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Interest payable	2,398,130	587,633	357,067	89,200
Staff bonus	369,836	90,624	198,819	49,667
Staff incentive	303,586	74,390	94,987	23,729
Other tax payables	155,206	38,032	40,023	9,998
Others	204,744	50,170	67,497	16,862
	<u>3,431,502</u>	<u>840,849</u>	<u>758,393</u>	<u>189,456</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 17. Provision for income tax

#### (a) Provision for income tax

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of year	552,357	137,986	229,293	56,518
Income tax expense	1,310,672	321,165	641,844	160,340
Income tax paid	(796,505)	(195,174)	(318,780)	(79,635)
Translation difference	-	(2,638)	-	763
	<u>1,066,524</u>	<u>261,339</u>	<u>552,357</u>	<u>137,986</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

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Current income tax	1,310,672	321,165	641,844	160,340
Deferred tax	(335,516)	(82,215)	-	-
	<u>975,156</u>	<u>238,950</u>	<u>641,844</u>	<u>160,340</u>

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

	2008			2007		
	KHR'000	US\$	%	KHR'000	US\$	%
Profit before income tax	<u>4,999,614</u>	<u>1,225,095</u>		<u>3,937,208</u>	<u>983,564</u>	
Income tax using statutory rate	999,923	245,019	20	787,442	196,713	20
Tax effect of:						
Non-deductible expenses	83,475	20,454	2	-	-	
Non-taxable income	-	-		(145,598)	(36,373)	(4)
Prior year deferred tax not recognised	(166,477)	(40,793)	(3)	-	-	
Effect of temporary difference	58,235	14,270	1	-	-	
Effective income tax rate	<u>975,156</u>	<u>238,950</u>	20	<u>641,844</u>	<u>160,340</u>	16

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

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 18. Provision for retirement benefits

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of year	633,563	158,272	363,094	89,498
Payment during the year	(51,877)	(12,712)	(2,906)	(726)
Charge during the year	595,881	146,013	280,469	70,065
Translation difference	28,516	3,963	(7,094)	(565)
	<u>1,206,083</u>	<u>295,536</u>	<u>633,563</u>	<u>158,272</u>

### 19. Share capital

The details of shareholding are as follows:

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Shares 1,362,770 of KHR 25,000 each:				
Concern Worldwide (Dublin)	34,066,750	8,347,648	10,146,425	2,534,705
Concern Worldwide (UK)	2,500	612	2,500	625
	<u>34,069,250</u>	<u>8,348,260</u>	<u>10,148,925</u>	<u>2,535,330</u>

During the year the Company increased its registered share capital from KHR10,149 million to KHR34,069 million through the conversion of loans and interest payable to Concern Worldwide (Dublin) of KHR23,606 million. The approval was obtained from the NBC on 16 July 2008.

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 20. Interest income

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Loans to customers	24,665,058	6,043,876	10,950,322	2,735,529
Deposits and placements with banks	210,369	51,548	83,130	20,767
	<u>24,875,427</u>	<u>6,095,424</u>	<u>11,033,452</u>	<u>2,756,296</u>

### 21. Interest expenses

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Borrowings	4,278,452	1,048,383	460,406	115,015
Deposits from customers	62,663	15,355	40,749	10,180
	<u>4,341,115</u>	<u>1,063,738</u>	<u>501,155</u>	<u>125,195</u>

### 22. Other operating income

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Bad debts recovered	470	115	2,469	617
Foreign exchange gain	-	-	1,001,842	250,272
Loan fee income	602,352	147,599	242,998	60,704
Other income	408,940	100,206	87,029	21,741
	<u>1,011,762</u>	<u>247,920</u>	<u>1,334,338</u>	<u>333,334</u>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 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. The previous rate of 3% and 0.5% of interest income and principal collected were not applicable from 1 July 2008 onward.

### 24. Operating and other expenses

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Communications	392,789	96,248	289,049	72,208
Depreciation and amortisation	884,205	216,664	481,426	120,266
Office rentals	506,262	124,053	352,177	87,978
Office supplies and equipment	806,847	197,708	400,899	100,149
Professional services	551,219	135,070	368,571	92,074
Staff costs	8,712,192	2,134,818	4,357,046	1,088,445
Transportation costs	1,227,566	300,800	569,425	142,250
Technical support costs	852,506	208,896	129,215	32,280
Utilities	215,656	52,844	121,855	30,441
Other expenses	458,164	112,268	196,197	49,013
Foreign exchange loss	274,060	67,155	-	-
	<u>14,881,466</u>	<u>3,646,524</u>	<u>7,265,860</u>	<u>1,815,104</u>

Technical support costs represent the salaries of the Chief Executive Officer and the Training and Marketing Manager 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 2008

#### 25. Net cash used in operating activities

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Profit before income tax	4,999,614	1,225,095	3,937,208	983,564
Adjustments for:				
Depreciation and amortisation	884,205	216,664	481,426	120,266
Provision for bad and doubtful loans	804,452	197,121	217,976	54,453
Gain on disposal of property and equipment	-	-	(7,742)	(1,934)
Provision for retirement benefits	572,520	140,289	270,469	67,567
Operating profit before changes in operating assets and liabilities	7,260,791	1,779,169	4,899,337	1,223,916
Decrease/(increase) in:				
Deposits and placements with banks	(4,183,025)	(1,025,000)	-	-
Statutory deposits	(1,196,017)	(293,069)	(12,000)	(2,998)
Due from a shareholder	-	-	23,581	5,891
Loans to customers	(53,999,815)	(13,232,005)	(20,401,025)	(5,096,434)
Other receivables	(1,390,278)	(340,671)	(395,037)	(98,685)
Increase/(decrease) in:				
Deposits from customers	113,216	27,742	344,931	86,168
Due to a shareholder	(152,949)	(37,478)	105,384	26,326
Other liabilities	2,673,109	655,013	483,727	120,841
Cash used in operations	(50,874,968)	(12,466,299)	(14,951,102)	(3,734,975)
Income tax paid	(796,505)	(195,174)	(318,780)	(79,635)
Net cash used in operating activities	(51,671,473)	(12,661,473)	(15,269,882)	(3,814,610)

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 26. Cash and cash equivalents

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Cash on hand	567,753	139,121	282,765	70,638
Deposits and placements with banks	13,322,996	3,264,640	4,511,587	1,127,052
	<u>13,890,749</u>	<u>3,403,761</u>	<u>4,794,352</u>	<u>1,197,690</u>

### 27. 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 2008

### 27. 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 2008

### 27. 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	——(KHR equivalent)——			Total
		US\$	THB	EUR	
31 December 2008					
Assets					
Cash on hand	456,619	43,383	67,751	-	567,753
Deposits and placements					
with banks	5,157,620	11,492,482	855,919	-	17,506,021
Loans to customers	86,033,769	951,550	7,583,631	-	94,568,950
Statutory deposits	1,725,463	-	-	-	1,725,463
Other receivables	1,720,174	364,524	170,021	-	2,254,719
<b>Total financial assets</b>	<b>95,093,645</b>	<b>12,851,939</b>	<b>8,677,322</b>	<b>-</b>	<b>116,622,906</b>
Liabilities					
Deposits from customers	444,260	144,155	42,194	-	630,609
Due to a shareholder	-	155,082	-	-	155,082
Borrowings	38,302,216	21,462,875	11,562,702	-	71,327,793
Other liabilities	1,989,101	1,153,667	288,734	-	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 financial liabilities</b>	<b>41,802,101</b>	<b>24,121,862</b>	<b>11,893,630</b>	<b>-</b>	<b>77,817,593</b>
<b>Net asset/(liability) position</b>	<b>53,291,544</b>	<b>(11,269,923)</b>	<b>(3,216,308)</b>	<b>-</b>	<b>38,805,313</b>
31 December 2007					
Total assets	38,628,132	924,299	8,009,395	-	47,561,826
Total liabilities	18,690,449	11,582,053	4,336,312	-	34,608,814
<b>Net asset/(liability) position</b>	<b>19,937,683</b>	<b>(10,657,754)</b>	<b>3,673,083</b>	<b>-</b>	<b>12,953,012</b>

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

## **Notes to the financial statements (continued) for the year ended 31 December 2008**

### **27. 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 2008

#### 27. 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 2008

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

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

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

2007	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	-	-	-	-	-	282,765	282,765	-
Deposits and placements with banks	3,603,977	-	-	-	-	907,610	4,511,587	2.5%
Statutory deposits	-	-	-	-	507,446	22,000	529,446	2.7%
Loans to customers								
- Performing	1,054,880	7,405,307	27,035,362	6,275,532	-	-	41,771,081	36.3%
- Non performing	-	-	-	-	-	23,588	23,588	-
- Allowance	-	-	-	-	-	(421,082)	(421,082)	-
Other receivables	-	-	-	-	-	864,441	864,441	-
<b>Total assets</b>	<b>4,658,857</b>	<b>7,405,307</b>	<b>27,035,362</b>	<b>6,275,532</b>	<b>507,446</b>	<b>1,679,322</b>	<b>47,561,826</b>	
<b>Liabilities</b>								
Deposits from customers	287,368	18,924	162,469	48,632	-	-	517,393	9.9%
Due to a shareholder	-	-	-	-	-	308,031	308,031	-
Borrowings	40,625	38,396	1,048,261	7,483,070	23,228,725	-	31,839,077	1.2%
Other liabilities	-	-	-	-	-	758,393	758,393	-
Provision for income tax	-	-	-	-	-	552,357	552,357	-
Provision for retirement benefits	-	-	-	-	-	633,563	633,563	-
<b>Total liabilities</b>	<b>327,993</b>	<b>57,320</b>	<b>1,210,730</b>	<b>7,531,702</b>	<b>23,228,725</b>	<b>2,252,344</b>	<b>34,608,814</b>	
<b>Maturity gap</b>	<b>4,330,864</b>	<b>7,347,987</b>	<b>25,824,632</b>	<b>(1,256,170)</b>	<b>(22,721,279)</b>	<b>(573,022)</b>	<b>12,953,012</b>	

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 27. 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 2008

#### 27. 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 2008

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

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

2007	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	282,765	-	-	-	-	-	282,765
Deposits and placements with banks	4,511,587	-	-	-	-	-	4,511,587
Statutory deposits	-	-	-	-	-	529,446	529,446
Loans to customers							
- Performing	1,054,880	7,405,307	27,035,362	6,275,532	-	-	41,771,081
- Non performing	-	-	-	-	-	23,588	23,588
- Allowance	-	-	-	-	-	(421,082)	(421,082)
Other receivables	432,221	259,332	172,888	-	-	-	864,441
<b>Total assets</b>	<b>6,281,453</b>	<b>7,664,639</b>	<b>27,208,250</b>	<b>6,275,532</b>	<b>-</b>	<b>131,952</b>	<b>47,561,826</b>
<b>Liabilities</b>							
Deposits from customers	287,368	18,924	162,469	48,632	-	-	517,393
Due to a shareholder	-	-	-	-	-	308,031	308,031
Borrowings	40,625	38,396	1,048,261	7,483,070	23,228,725	-	31,839,077
Other liabilities	202,507	202,204	162,655	-	-	191,027	758,393
Provision for income tax	12,873	539,484	-	-	-	-	552,357
Provision for retirement benefits	-	-	-	-	-	633,563	633,563
<b>Total liabilities</b>	<b>543,373</b>	<b>799,008</b>	<b>1,373,385</b>	<b>7,531,702</b>	<b>23,228,725</b>	<b>1,132,621</b>	<b>34,608,814</b>
<b>Maturity gap</b>	<b>5,738,080</b>	<b>6,865,631</b>	<b>25,834,865</b>	<b>(1,256,170)</b>	<b>(23,228,725)</b>	<b>(1,000,669)</b>	<b>12,953,012</b>

# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 27. 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.

### 28. Commitments and contingencies

#### (a) Lease commitments

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

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
Within 1 year	102,214	25,046	29,724	7,425
2 to 3 years	36,113	8,849	51,443	12,851
	<u>138,327</u>	<u>33,895</u>	<u>81,167</u>	<u>20,276</u>



# Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

## Notes to the financial statements (continued) for the year ended 31 December 2008

### 28. Commitments and contingencies (continued)

#### (b) Taxation contingencies

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

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

### 29. Related party transactions

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

	2008		2007	
	KHR'000	US\$	KHR'000	US\$
With shareholder				
Borrowings	-	-	23,228,725	5,802,829
Technical support charged	155,082	38,001	129,215	32,280
Conversion of loans and interest payable	23,920,325	5,861,388	-	-
	=====	=====	=====	=====

### 30. 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 2008.