

**THANEAKEA PHUM (CAMBODIA), LTD.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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**\* This Appendix does not form part of these financial statements**



## **DIRECTORS' REPORT**

The Board of Directors (BoD) submits its report and the audited financial statements of Thaneakea Phum (Cambodia), Ltd. (the Company) for the year ended 31 December 2009.

## **PRINCIPAL ACTIVITY**

The Company is principally engaged in providing micro-finance services to the rural population of Cambodia, through its head office in Phnom Penh and its various provincial offices. Its corporate objective is to provide needed financial services to low-income households, particularly women in rural areas, in a manner that is viable and sustainable for the economic development of Cambodia.

## **FINANCIAL PERFORMANCE**

The financial performance for the year ended 31 December 2009 is set out in the income statement on page 7.

There were no dividends declared or paid during the year ended 31 December 2009 (2008: Riel 320,000 thousand).

## **SHARE CAPITAL**

During the year ended 31 December 2009, there have been no changes in the registered and paid up share capital of the Company.

## **BAD AND DOUBTFUL LOANS**

Before the Company's financial statements were drawn up, the BoD took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making provision for bad and doubtful loans. The BoD has satisfied itself that all known bad loans have been written off and that adequate provisions have been made for bad and doubtful loans.

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

## **ASSETS**

Before the Company's financial statements were drawn up, the BoD took reasonable steps to ensure that any assets, 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 BoD is not aware of any circumstances which would render the values attributed to the assets in the Company's financial statements misleading in any material respect.

#### **VALUATION METHODS**

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

#### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there is:

- i) no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and
- ii) no contingent liability in respect of the Company that has arisen since the end of the 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 year which, in the opinion of the BoD, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

#### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the BoD 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 in any material respect.

#### **ITEMS OF AN UNUSUAL NATURE**

The Company's financial performance for the year ended 31 December 2009 was not, in the opinion of the BoD, materially affected by any items, transactions or events of a material and unusual nature.

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

## **SIGNIFICANT EVENTS**

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

## **THE BOARD OF DIRECTORS**

The members of the Board of Directors holding office during the financial period and as at the date of this report are:

- Mr. Michael John Spingler Chairman (appointed on 22 December 2009)
- Ms. Fernanda Pecanha Lacerda De Lima Director (appointed on 22 December 2009)
- Mr. Ry Vanna Director (appointed on 22 December 2009)

Name's of resigned board member (resigned on 22 December 2009)

- Richard Jean Balmadier Chairman
- Silveus Mary Susan Vice Chairman
- Mark David Palmer Director
- Tun Korng Director

## **DIRECTORS' BENEFITS**

During and at the end of the year, no arrangement existed, to which the Company was a party, with the object of enabling the 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.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm of which the director is a member, or with a company in which the director has a material financial interest.

## **RESPONSIBILITIES OF THE BOARD OF DIRECTOR IN RESPECT OF THE FINANCIAL STATEMENTS**

The BoD is responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and its financial performance for the year then ended. In preparing these financial statements, the BoD is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements and guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there have been any departures in the interest of true and fair presentation, ensure they 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) set overall policies for the Company, ratify all decisions and actions by the BOD that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

The BOD confirms that the Company has complied with these requirements in preparing the financial statements.

**APPROVAL OF THE FINANCIAL STATEMENTS**

The accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and its financial performance and its cash flows for the year ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards were approved by the Board of Directors.

On behalf of the Board of Directors,



*Michael Spingler*

Mr. Michael John Spingler  
Chairman

Phnom Penh, Kingdom of Cambodia  
Date: 27 April 2010

## Independent auditor's report

To the Shareholders of Thaneakea Phum (Cambodia), Ltd.

We have audited the accompanying financial statements of Thaneakea Phum (Cambodia), Ltd. (the Company) which comprise the balance sheet as at 31 December 2009 and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes on pages 11 to 45.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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.

### *Auditor's 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

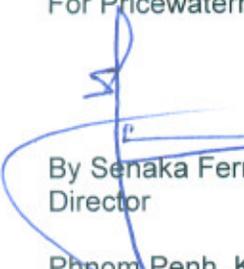
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies 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 audit opinion.

*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Limited

  
By Senaka Fernando  
Director



Phnom Penh, Kingdom of Cambodia  
Date: 27 April 2010

**THANEAKEA PHUM (CAMBODIA), LTD.**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Note</b>	<b>2009 Riel '000</b>	<b>2008 Riel '000</b>
<b>Continuing operations</b>			
Interest income	4	25,847,339	23,408,650
Interest expense	5	<u>(9,951,100)</u>	<u>(7,656,464)</u>
<b>Net interest income</b>		<b>15,896,239</b>	<b>15,752,186</b>
Grant income		7,244	114,155
Other operating income/(expenses)	6	<u>260,103</u>	<u>(139,341)</u>
<b>Operating income</b>		<b>16,163,586</b>	<b>15,727,000</b>
Commission expenses	7	(782,326)	(642,140)
Personnel expenses	8	(6,005,982)	(5,502,588)
Depreciation and amortisation expense	9	(492,872)	(642,376)
General and administrative expenses	10	(2,533,144)	(2,660,283)
Provision for bad and doubtful loans	15	<u>(4,187,052)</u>	<u>(628,319)</u>
<b>Operating profit before income tax</b>		<b>2,162,210</b>	<b>5,651,294</b>
Income tax expense	11	<u>(438,926)</u>	<u>(1,138,500)</u>
<b>Net profit for the year</b>		<b><u>1,723,284</u></b>	<b><u>4,512,794</u></b>

The accompanying notes on pages 11 to 45 form an integral part of these financial statements.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**BALANCE SHEET  
AS AT 31 DECEMBER 2009**

	<u>Note</u>	<u>2009 Riel '000</u>	<u>2008 Riel '000</u>
<b>ASSETS</b>			
Cash on hand	12	226,913	188,613
Balances with the Central Bank	13	16,521,540	16,109,682
Balances with banks	14	28,500,392	20,123,736
Loans to customers	15	68,873,899	74,691,325
Other assets	16	1,708,692	1,864,275
Deferred tax assets	17	183,937	228,691
Property and equipment	18	1,022,955	1,322,183
Intangible assets	19	29,638	59,276
<b>TOTAL ASSETS</b>		<b><u>117,067,966</u></b>	<b><u>114,587,781</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from customers	20	422,592	327,511
Borrowings	21	93,053,692	91,633,354
Deferred grant income	22	21,731	28,975
Accruals and other liabilities	23	2,057,940	1,998,727
Current income tax liabilities	24	155,132	965,619
<b>Total Liabilities</b>		<b><u>95,711,087</u></b>	<b><u>94,954,186</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	25	4,000,000	4,000,000
Reserves		788,740	788,740
Retained earnings		16,568,139	14,844,855
<b>Total Shareholders' Equity</b>		<b><u>21,356,879</u></b>	<b><u>19,633,595</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>117,067,966</u></b>	<b><u>114,587,781</u></b>

The accompanying notes on pages 11 to 45 form an integral part of these financial statements.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Share Capital Riel '000</b>	<b>Reserves Riel '000</b>	<b>Retained Earnings Riel '000</b>	<b>Total Riel '000</b>
<b>For the year ended 31 December 2008</b>				
As at 1 January 2008	4,000,000	788,740	10,652,061	15,440,801
Dividend distribution	-	-	(320,000)	(320,000)
Net profit for the year	-	-	4,512,794	4,512,794
<b>As at 31 December 2008</b>	<b><u>4,000,000</u></b>	<b><u>788,740</u></b>	<b><u>14,844,855</u></b>	<b><u>19,633,595</u></b>
<b>For the year ended 31 December 2009</b>				
As at 1 January 2009	4,000,000	788,740	14,844,855	19,633,595
Net profit for the year	-	-	1,723,284	1,723,284
<b>As at 31 December 2009</b>	<b><u>4,000,000</u></b>	<b><u>788,740</u></b>	<b><u>16,568,139</u></b>	<b><u>21,356,879</u></b>

The accompanying notes on pages 11 to 45 form an integral part of these financial statements.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Note</b>	<b>2009 Riel '000</b>	<b>2008 Riel '000</b>
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	26	8,778,120	(20,927,123)
Income tax paid		<u>(1,204,659)</u>	<u>(1,216,767)</u>
Cash generated from/(used in) operating activities		<u>7,573,461</u>	<u>(22,143,890)</u>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	18	(176,985)	(954,464)
Purchases of intangible assets		-	(85,773)
Proceeds from disposal of property and equipment		<u>-</u>	<u>29,999</u>
Net cash used in investing activities		<u>(176,985)</u>	<u>(1,010,238)</u>
<b>Cash flows from financing activities</b>			
Dividend distribution		-	(320,000)
Proceeds from borrowings		74,726,930	70,287,874
Repayments on borrowings		<u>(73,306,592)</u>	<u>(22,549,755)</u>
Net cash generated from financing activities		<u>1,420,338</u>	<u>47,418,119</u>
Net increase/(decrease) in cash and cash equivalents		8,816,814	24,263,991
Cash and cash equivalents at the beginning of the year		<u>36,216,831</u>	<u>11,952,840</u>
<b>Cash and cash equivalents at end of the year</b>	<b>27</b>	<b><u>45,033,645</u></b>	<b><u>36,216,831</u></b>

The accompanying notes on pages 11 to 45 form an integral part of these financial statements.

## **THANEAKEA PHUM (CAMBODIA), LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **1 BACKGROUND INFORMATION**

Thaneakea Phum (Cambodia), Ltd. (the Company), a licensed micro-finance institution, was incorporated in Cambodia and registered with the Ministry of Commerce as a limited liability company under registration number Co. 1413/02E dated 27 June 2002.

The Company as a micro-finance institution will continue to be primarily a rural-based credit and savings institution with eleven branches and a head office in Phnom Penh. The Company's corporate focus is on providing reliable and affordable access to financial services to poor women micro-entrepreneurs in rural areas and in the vicinity of Phnom Penh. Out of a total of 24 provinces and cities in Cambodia, the Company operates in 15 provinces, namely Takeo, Kampot, Battambang, Svay Rieng, Banteay Meanchey, Siem Reap, Kampong Cham, Kandal, Kratie, Kampong Chhnang, Kampong Thom, Kampong Speu, Prey Veng, Oddar Meanchey, Kep and Phnom Penh capital city. Financial services are provided either through village banks made up of solidarity groups of five members each, or to solidarity groups themselves, as well as to individuals comprising eight percent of the Company's clients.

The National Bank of Cambodia (the Central Bank) granted the Company a licence to conduct business as a micro-finance institution for a three-year period commencing from 12 February 2003 to 12 February 2006. On 20 January 2006, the Central Bank granted the extension of the Company's licence for another three-year period commencing from 12 February 2006 to 12 February 2009. On 13 September 2006, the Central Bank issued Prakas, No. B7-06-209, in which the licence is valid indefinitely. The Company was then granted a licence for indefinite period on 14 January 2009.

The Company's head office is at No. 94, Street 360, Boeung Keng Kang III, Chamkar Morn, Phnom Penh, Cambodia.

As at 31 December 2009, the Company had 368 employees (2008: 322 employees).

The financial statements were approved for issue by the Board of Directors on 27 April 2010.

#### **2 SUMMARY OF 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 *Basis of preparation***

The financial statements of the Company, which are expressed in Cambodian Riel (Riel), are prepared under the historical cost convention and drawn up in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards (CAS). In applying CAS, the Company also applies CFRS 4: *Insurance Contracts* and CFRS 7: *Financial Instruments: Disclosures*. The Company maintains its accounting records in Riel, the functional currency in Cambodia.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**a Basis of preparation** (continued)

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with the guidelines issued by the Central Bank and CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**b New and revised accounting standards**

In accordance with the Ministry of Economy and Finance's Prakas No. 068BK MEF dated 8 January 2009 and the National Accounting Council's Announcement No. 097/09 MEF dated 28 August 2009, the Cambodian International Financial Reporting Standards for Small and Medium Entities ("CIFRS for SMEs") have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010. The Company has not adopted them early.

Adoption of CIFRS for SMEs will result on the following:

Section 1 – *Small- and Medium-sized Entities*. The CIFRS for SMEs are intended for use by small and medium-sized entities (SMEs). This section describes the characteristics of SMEs: (a) They do not have public accountability; and (b) They publish general purpose financial statements for external users. The Company is considered an SME and will adopt CIFRS for SMEs effective 1 January 2010.

Adoption of the following sections is not expected to have an impact on the financial performance or position of the Company.

Accounting framework and first-time adoption

Section 2 – *Concepts of Pervasive Principles*. This section describes the objective of the financial statements of SMEs and the qualities that make the information in the financial statements of SMEs useful. It also sets out the concepts and basic principles underlying the financial statements of SMEs. This does not have any impact on the Company's financial statements as its financial statements have similar objectives and qualities.

Section 3 – *Financial Statement Presentation*. This section explains fair presentation of financial statements, what compliance with the CIFRS for SMEs requires, and what is constitutes a complete set of financial statements. The current accounting framework – Cambodian Accounting Standards ("CAS") – that the Company is using, specifically CAS 1, has similar requirements in terms of the fair presentation and components of the financial statements.

## THANEAKEA PHUM (CAMBODIA), LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *b New and revised accounting standards (continued)*

Section 35 – *Transition to the CIFRS for SMEs*. This section applies to a first-time adopter of the CIFRS for SMEs, regardless of whether its previous accounting framework was full IFRSs or another set of generally accepted accounting principles (“GAAP”) such as CAS, or another framework, such as the local income tax basis. An entity can be a first-time adopter of the CIFRS for SMEs only once. The Company will apply this section in the preparation of its financial statements for the year ending 31 December 2010.

##### Financial Statements

Section no. 3, 4, 5, 6, 7, 8 and 10 set the requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. These sections are based on CAS 1, *Presentation of financial statements* and CAS 8 *Accounting policies, changes in accounting estimates and errors*, which were published in 2008, and therefore do not have an impact on the Company’s financial statements.

Section 4 – *Statement of Financial Position*

Section 5 – *Statement of Comprehensive Income and Income Statement*

Section 6 – *Statement of Changes in Equity and Statement of Income and Retained Earnings*

Section 7 – *Statement of Cash Flows*

Section 8 – *Notes to the Financial Statements*

Section 10 – *Accounting Policies, Estimates and Errors*

##### Financial Assets and Liabilities

Section 11 – *Basic Financial Instruments* and Section 12 – *Other Financial Instruments Issues* together deal with recognising, derecognising, measuring and disclosing financial instruments (financial assets and financial liabilities). Section 11 applies to basic financial instruments and is relevant to all entities. Section 12 applies to other, more complex financial instruments and transactions. If an entity enters into only basic financial instrument transactions then Section 12 is not applicable. However, even entities with only basic financial instruments should consider the scope of Section 12 to ensure they are exempt. The Company has only basic financial instruments as defined in Section 11. With the exception of revisions to accounting policy, these sections will not have an impact on the financial statements. The revisions to accounting policy relate to the initial measurement of basic financial instruments only. Under the current accounting policies of the Company, the basic financial instruments are initially measured at fair value. Section 11 requires basic financial instruments to be measured at the transaction price. However there is no impact on the Company’s financial statements as fair value on initial measurement is normally the transaction price. There is no change in the subsequent measurement of basic financial instruments as current policies of the Company comply with Section 11.

In addition, adoption of Section nos. 11 and 12 will result in the reduction of disclosures on the Company’s risk management with respect to its financial activities, which are currently required under CFRS 7 *Financial Instruments: Disclosures*.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***b New and revised accounting standards (continued)***

Non-Financial Assets

Section 17 – *Property, Plant and Equipment*. The Company's accounting policies on property, plant and equipment comply with Section 17.

Section 18 – *Intangible Assets other than Goodwill*. The Company's accounting policies on intangible assets other than goodwill comply with Section 18.

Section 27 – *Impairment of assets*. The Company's accounting policies on impairment of assets comply with Section 27.

Income and Expenses

Section 23 – *Revenue*. This section addresses the various categories of revenue recognition (sale of goods, rendering of services, interest, royalties, dividends, construction contracts and barter transactions). The Company's accounting policies on revenue comply with Section 23.

Section 25 – *Borrowing Costs*. This section specifies the accounting for borrowing costs. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. This section does not have an impact on the Company's financial statements as the Company charges borrowing costs to the income statement, which is in compliance with this section.

Section 28 – *Employee Benefits*. Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees, including directors and management. This section does not have an impact on the Company's financial statements as the Company does not provide post-employment benefits.

Non-financial liabilities and equity

Section 21 – *Provisions and Contingencies*. This section applies to all provisions (i.e. liabilities of uncertain timing or amount), contingent liabilities and contingent assets. The Company's policies on provisions and contingencies comply with this section.

Section 22 – *Liabilities and Equities*. This section establishes principles for classifying financial instruments as either liabilities or equity and addresses accounting for equity instruments issued to individuals or other parties acting in their capacity as investors in equity instruments (i.e. in their capacity as owners). This section is not expected to have a material impact on the financial statements of the Company.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***b New and revised accounting standards*** (continued)

Section 29 – *Income Tax*. This section covers accounting for income taxes. It requires an entity to recognise the current and future tax consequences of transactions and other events that have been recognised in the financial statements. These recognised tax amounts comprise current tax and deferred tax. Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past periods. Deferred tax is tax payable or recoverable in future periods, generally as a result of the entity recovering or settling its assets and liabilities for their current carrying amounts and the tax effect of the carry forward of currently unused tax losses and tax credits. It is not expected to have a material impact on the financial statements of the Company. However, presentation of deferred tax assets will change with respect to recognising deferred tax assets for all temporary differences and subsequently providing for a valuation allowance if it is more likely unrecoverable.

Others

The following sections are not expected to have a material impact on the financial statements of the Company.

Section 9 – Consolidated and Separate Financial Statements

Section 13 – Inventories

Section 14 – Investments in Associates

Section 15 – Investments in Joint Ventures

Section 16 – Investment Property

Section 19 – Business Combinations

Section 20 – Leases

Section 24 – Government Grants

Section 26 – Share-Based Payment

Section 30 – Foreign Currency Translation

Section 31 – Hyperinflation

Section 32 – Events after the End of the Reporting Period.

Section 33 – Related Party Disclosures

Section 34 – Specialised Activities

***c Basis of aggregation***

The financial statements include the financial statements of the head office and its provincial branches within Cambodia. On aggregation of balances, all significant inter-branch balances and transactions are eliminated in full.

***d Financial instruments***

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

## THANEAKEA PHUM (CAMBODIA), LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### e *Foreign currency translation*

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

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The Company maintains its accounting records and its financial statements in Riel, the Company’s functional currency. The functional currency is Riel because of the significant influence of the Riel on its operations. The financial statements are presented in Riel, which is the Company’s functional and presentation currency.

###### (ii) *Transactions and balances*

Transactions in currencies other than Riel, the functional and presentation currency, are translated into Riel at the exchange rate prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary and liabilities denominated in currencies other than Riel, are recognised in the income statement.

The principal rates used to translate monetary assets and liabilities denominated in other currencies into Riel at the balance sheet date are:

	31 December 2009	31 December 2008
US\$	4,169	4,081
Thai Baht	126	118

Source: The National Bank of Cambodia

##### f *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances; demand deposits; and short-term highly liquid investments with maturities of 90 days or less from the date of acquisition that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

##### g *Loans to customers*

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and any provision for bad and doubtful loans, including mandatory and additional provisions, to reflect the estimated recoverable amount.

##### h *Provision for bad and doubtful loans*

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 and economic situation of clients, and the performance of loans in relation to contract terms.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***h Provision for bad and doubtful loans*** (continued)

The Company follows the mandatory credit classification and provisioning as required Prakas B7-02-186 dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes and ensure that the minimum mandatory level of specific provisioning is provided:

	<b>Percentage applied (%)</b>
<b>Loan status/classification</b>	
<b><i>Loans of one year or less</i></b>	
Standard	0
Sub-standard loans (where repayments are more than 30 days overdue)	10
Doubtful loans (where repayments are more than 60 days overdue)	30
Loss (where repayments are more than 90 days overdue)	100
<b><i>Loans of more than one year</i></b>	
Standard	0
Sub-standard loans (where repayments are more than 30 days overdue)	10
Doubtful loans (where repayments are more than 180 days overdue)	30
Loss (where repayments are more than 360 days overdue)	100

The Company provides for a 100% provision for loan losses for any loan overdue for 30 days or more. The amount of provision in excess of the defined percentages required by the Central Bank is shown as additional provision.

Loans are written off when they are considered uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for loan loss.

Recoveries on loans previously written off and reversal of previous provisions are disclosed as other operating (loss)/income in the income statement.

***i Property and equipment***

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance are charged to the income statement during the financial year in which they are incurred.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***i Property and equipment*** (continued)

Depreciation of property and equipment is charged to the income statement on a declining balance method at the following annual rates:

Motor vehicles	25%
Computers	50%
Office furniture and equipment	25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on the sale of property and equipment are recognised upon the disposal of such assets.

Fully depreciated property and equipment are retained in the financial statements until they are disposed of or written-off.

***j Intangible assets***

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised on a declining method at the rate of 50% per annum.

Costs associated with maintaining computer software are recognised as an expense when incurred.

***k Impairment of non-financial assets***

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

***l Borrowings***

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalised and amortised over the period of the borrowings using the straight-line method.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***m Provisions***

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

***n Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income taxes are calculated using a principal tax rate of 20%.

***o Interest income and expense recognition***

Interest income earned on loans is recognised on an accrual basis taking into consideration the principal amount of loans outstanding. When a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis.

Commission and fee income and expenses are recognised in the income statement on an accrual basis.

***p Grants***

Grants received to subsidise the Company's operating expenses are recognised to the income statement on a systematic and rational basis, matching the related costs for which they are intended to compensate.

Grants received for the purchase of property and equipment are deferred and amortised to the income statement on a systematic and rational basis over the useful life of the asset. The unamortised grants are shown as deferred grant income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**q *Operating leases***

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

**r *Related party transactions***

Parties are considered to be related 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.

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

**s *Reserves***

This account represents profits from the previous program. After deduction of previous losses, 5% of the net profits shall be transferred into the legal reserve fund. Such transfer will cease when the reserve fund reaches 10% of the registered capital of the Company.

**t *Rounding of amounts***

The presenting amounts in the financial statements have been rounded off to the nearest thousand.

**3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS** (continued)

a) Impairment losses on loans to customers

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 of the Central Bank. The Central Bank requires micro-finance institutions to classify their loan portfolios into four classes, and a minimum mandatory level of provision is made depending on the classification concerned. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

The Company provides for a 100% provision for loan losses for any loan overdue for 30 days or more. The amount of provision in excess of the defined percentages required by the Central Bank is shown as additional provision.

b) *Income tax*

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

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**4 INTEREST INCOME**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Interest income from:		
Loans to customers	24,679,599	22,539,405
Balances with banks	1,167,740	869,245
	<u>25,847,339</u>	<u>23,408,650</u>

**5 INTEREST EXPENSE**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Interest expense on:		
Borrowings	9,928,745	7,623,314
Customers' deposits	22,355	33,150
	<u>9,951,100</u>	<u>7,656,464</u>

**THANEAKEA PHUM (CAMBODIA), LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****6 OTHER OPERATING INCOME/(EXPENSE)**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Foreign exchange gain/(loss) – net	129,006	(230,807)
Recovery from loans written off	109,173	58,122
Penalty income	28,755	16,769
(Loss)/Gain on disposal of fixed assets	(12,979)	14,529
Other income	6,148	2,046
	<u>260,103</u>	<u>(139,341)</u>

**7 COMMISSION EXPENSES**

Commission expenses represent payments to the Group Leaders (GLs), the Village Leaders (VLs) and key persons (including commune leaders, district leaders and other influential persons). The basis of the incentive is calculated at a maximum rate of 2%, 3% and 5% of the interest amount collected for key persons, GLs and VLs, respectively.

**8 PERSONNEL EXPENSES**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Salaries and wages	5,664,001	5,173,477
Other short-term benefits	341,981	329,111
	<u>6,005,982</u>	<u>5,502,588</u>

**9 DEPRECIATION AND AMORTISATION EXPENSE**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Depreciation of property and equipment (note 18)	463,234	583,100
Amortisation of intangible assets (note 19)	29,638	59,276
	<u>492,872</u>	<u>642,376</u>

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**10 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Traveling expenses	538,599	615,136
Rental expenses	432,277	390,825
Professional services	318,947	329,586
Bank and service charges and other fees	282,183	347,062
Office supplies and equipment	231,683	214,395
Utilities	167,714	161,367
Communications	140,774	142,852
Photocopies and printing	136,771	147,978
Other expenses	284,196	311,082
	<u>2,533,144</u>	<u>2,660,283</u>

**11 INCOME TAX EXPENSE**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Current tax income for the year	394,172	1,168,506
Deferred tax assets (note 17)	44,754	(30,006)
	<u>438,926</u>	<u>1,138,500</u>

a) Reconciliation between income tax expense and accounting profit

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Income before income tax	2,162,210	5,651,294
Profit tax at 20%	432,442	1,130,259
Expenses not deductible for tax purposes	6,484	8,241
Income tax expense	<u>438,926</u>	<u>1,138,500</u>

In accordance with Cambodian tax laws, the Company has an obligation to pay corporate income tax in the form of either Tax on Profit at the rate of 20% of taxable profit or minimum tax at 1% of turnover, whichever is higher.

b) Other tax matters

The Company's tax returns are subject to periodic examination by the General Department of Taxation. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the General Department of Taxation.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**12 CASH ON HAND**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Head office	2,000	2,000
Provincial branches	224,913	186,613
	<u>226,913</u>	<u>188,613</u>

**13 BALANCES WITH THE CENTRAL BANK**

		<b>2009</b>	<b>2008</b>
		<b>Riel '000</b>	<b>Riel '000</b>
Term deposits	(i)	16,175,720	13,793,780
Capital guarantee deposit	(ii)	200,000	200,000
Current account, non-interest bearing		130,620	2,110,702
Reserve requirement	(iii)	15,200	5,200
		<u>16,521,540</u>	<u>16,109,682</u>

- (i) Term deposits are for a period of six months with the Central Bank with an annual interest rate ranging from 0.26% to 0.53%.
- (ii) In compliance with the Central Bank's Prakas No. B700-006 on the licensing of micro-finance institutions, the Company maintains a minimum amount equal to 5% of its share capital of Riel 4,000,000,000 as at 31 December 2009 in an interest-earning account with the Central Bank (3% per annum following the Central Bank's Prakas No. 06.210).
- (iii) Prakas B702-45 requires that licensed micro-finance institutions shall place 5% of their deposits into an account maintained with the Central Bank. The reserve requirement does not earn any interest.

**14 BALANCES WITH BANKS**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Term deposits	19,777,994	18,588,955
Saving deposits	8,718,177	1,195,681
Current accounts	4,221	339,100
	<u>28,500,392</u>	<u>20,123,736</u>

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**14 BALANCES WITH BANKS** (continued)

Current accounts are non-interest bearing. Annual interest rates on saving and term deposits are as follows:

	<u>2009</u>	<u>2008</u>
Saving deposits	0.10% - 1.5%	1% - 4%
Term deposits	4% - 5%	4%

**15 LOANS TO CUSTOMERS**

		<u>2009</u>	<u>2008</u>
		<u>Riel '000</u>	<u>Riel '000</u>
Thaneakea Phum loans:	i		
Fixed term	a	4,508,394	6,819,873
End of cycle	b	43,536,234	41,020,784
Solidarity group loans:	ii		
Fixed term		9,447,575	11,503,654
Market loans:			
Fixed term		-	4,210
Individual loans:			
Fixed term		13,383,742	14,620,733
End of cycle		750,300	599,000
Staff loans		813,546	747,233
		<u>72,439,791</u>	<u>75,315,487</u>
Provision for bad and doubtful loans			
Mandatory provision		(3,139,780)	(321,961)
Additional provision		(426,112)	(302,201)
		<u>(3,565,892)</u>	<u>(624,162)</u>
Net loans to customers		<u>68,873,899</u>	<u>74,691,325</u>
Total number of accounts		<u>91,213</u>	<u>97,239</u>

i. Thaneakea Phum loan is a loan which formed from five to seven members at the village and the repayment of the loan is made at the village through the assigned credit agent.

ii. Solidarity group loan is a loan which formed from three to seven members at the village or at Thaneakea Phum's sub office and the repayment of the loan is made at Thaneakea Phum's sub office.

a) Fixed term refer to instalment loan which the customers are required to pay both interest and principal according to the agreed schedule.

b) End of cycle refer to loan which the customers are required to pay interest according to the agreed schedule but the principal is to be paid at end of the loan term.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**15 LOANS TO CUSTOMERS (continued)**

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

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
At the beginning of the year	624,162	95,132
Provision during the year	4,187,052	628,319
Bad debts written off during the year	(1,229,875)	(95,778)
Currency revaluation	(15,447)	(3,511)
	<u>3,565,892</u>	<u>624,162</u>

The loans to customers are analysed as follows:

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
(a) By maturity:		
Within 1 month	9,794,464	7,690,361
2 to 3 months	14,557,580	15,759,416
4 to 12 months	47,270,164	51,759,180
More than 12 months	817,583	106,530
	<u>72,439,791</u>	<u>75,315,487</u>
(b) By industry:		
Agriculture	50,662,223	49,689,921
Trade and commerce	16,093,534	18,455,337
Services	2,721,596	2,531,580
Household/family	783,642	675,079
Construction	528,670	648,104
Transportation	302,589	786,043
Other categories	1,347,537	2,529,423
	<u>72,439,791</u>	<u>75,315,487</u>
(c) By residency status:		
Residents	<u>72,439,791</u>	<u>75,315,487</u>
(d) By relationship:		
External customers	71,626,245	74,568,254
Staff loans	813,546	747,233
	<u>72,439,791</u>	<u>75,315,487</u>

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**15 LOANS TO CUSTOMERS (continued)**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
(f) By location:		
Head Office	227,265	151,550
Kampong Cham	10,828,557	8,667,754
Svay Rieng	9,209,869	7,324,670
Tramkok	8,412,247	9,007,544
Samroung Bati	7,838,249	9,458,215
Battambang	7,308,718	7,372,770
Banteay Meanchey	6,787,855	7,026,193
Siem Reap	5,639,943	7,928,653
Chhouk	5,316,364	5,870,021
Poipet	4,511,832	4,225,615
Kandal	3,832,707	5,308,932
Phnom Penh	2,526,185	2,973,570
	<u>72,439,791</u>	<u>75,315,487</u>
(g) By performance:		
Standard loans:		
Secured	14,049,453	15,677,539
Unsecured	54,824,446	59,013,787
Sub-standard loans:		
Secured	76,769	90,854
Unsecured	208,926	156,119
Doubtful loans:		
Secured	31,729	71,525
Unsecured	209,681	42,653
Loans loss:		
Secured	789,555	126,048
Unsecured	2,249,232	136,962
	<u>72,439,791</u>	<u>75,315,487</u>
(h) Interest rate (per annum):		
External customers	71,626,245	24% - 42%
Staff loans	813,546	18%
	<u>72,439,791</u>	

THANEAKEA PHUM (CAMBODIA), LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

16 OTHER ASSETS

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
Interest receivable	1,528,648	1,776,650
Prepayments and deposits	163,027	84,133
Others	17,017	3,492
	<u>1,708,692</u>	<u>1,864,275</u>

17 DEFERRED TAX ASSETS

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

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
Deferred tax assets	183,100	230,619
Deferred tax liabilities	-	(1,928)
Deferred tax assets (net)	<u>183,937</u>	<u>228,691</u>

The gross movement on the deferred income tax account is as follows:

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
<b>As at 1 January</b>	228,691	198,685
(Credited)/debit to the income statement (note 11)	<u>(44,754)</u>	<u>30,006</u>
<b>As at 31 December</b>	<u>183,937</u>	<u>228,691</u>

<b>Deferred tax asset</b>	<b>Accelerated depreciation</b> <b>Riel '000</b>	<b>Provision for bonuses</b> <b>Riel '000</b>	<b>Provision for staff incentive</b> <b>Riel '000</b>	<b>Unrealised loss on exchange</b> <b>Riel '000</b>	<b>Total</b> <b>Riel '000</b>
As at 1 January 2008	-	40,336	93,368	65,373	199,077
Change in income statement	-	20,931	(13,305)	23,916	31,542
As at 31 December 2008	<u>-</u>	<u>61,267</u>	<u>80,063</u>	<u>89,289</u>	<u>230,619</u>
As at 1 January 2009	-	61,267	80,063	89,289	230,619
Change in income statement	837	7,926	(10,414)	(45,031)	(46,682)
As at 31 December 2009	<u>837</u>	<u>69,193</u>	<u>69,649</u>	<u>44,258</u>	<u>183,937</u>

THANEAKEA PHUM (CAMBODIA), LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

17 DEFERRED TAX ASSETS (continued)

Deferred tax liabilities	Accelerated depreciation Riel '000	Total Riel '000
As at 1 January 2008	(392)	(392)
Change in income statement	<u>(1,536)</u>	<u>(1,536)</u>
As at 31 December 2008	<u>(1,928)</u>	<u>(1,928)</u>
As at 1 January 2009	(1,928)	(1,928)
Credit to income statement	<u>1,928</u>	<u>1,928</u>
As at 31 December 2009	<u>-</u>	<u>-</u>

18 PROPERTY AND EQUIPMENT

	Office equipment Riel '000	Motor vehicles Riel '000	Computers Riel '000	Total Riel '000
<b>As at 1 January 2008</b>				
Cost	98,793	1,732,165	595,416	2,426,374
Accumulated depreciation	<u>(62,433)</u>	<u>(921,013)</u>	<u>(476,639)</u>	<u>(1,460,085)</u>
Net book amount	<u>36,360</u>	<u>811,152</u>	<u>118,777</u>	<u>966,289</u>
<b>Year ended 31 December 2008</b>				
Opening net book amount	36,360	811,152	118,777	966,289
Additions	41,911	617,417	295,136	954,464
Disposals - net	(524)	(11,970)	(2,976)	(15,470)
Depreciation charged	<u>(19,554)</u>	<u>(356,818)</u>	<u>(206,728)</u>	<u>(583,100)</u>
Closing net book amount	<u>58,193</u>	<u>1,059,781</u>	<u>204,209</u>	<u>1,322,183</u>
<b>As at 31 December 2008</b>				
Cost	137,670	2,251,177	732,891	3,121,738
Accumulated depreciation	<u>(79,477)</u>	<u>(1,191,396)</u>	<u>(528,682)</u>	<u>(1,799,555)</u>
Net book amount	<u>58,193</u>	<u>1,059,781</u>	<u>204,209</u>	<u>1,322,183</u>
<b>Year ended 31 December 2009</b>				
Opening net book amount	58,193	1,059,781	204,209	1,322,183
Additions	7,900	17,185	151,900	176,985
Disposals - net	(1,028)	(7,242)	(4,709)	(12,979)
Depreciation charged	<u>(16,496)</u>	<u>(269,046)</u>	<u>(177,692)</u>	<u>(463,234)</u>
Closing net book amount	<u>48,569</u>	<u>800,678</u>	<u>173,708</u>	<u>1,022,955</u>
<b>As at 31 December 2009</b>				
Cost	136,003	2,220,986	804,829	3,161,818
Accumulated depreciation	<u>(87,434)</u>	<u>(1,420,308)</u>	<u>(631,121)</u>	<u>(2,138,863)</u>
Net book amount	<u>48,569</u>	<u>800,678</u>	<u>173,708</u>	<u>1,022,955</u>

**THANEAKEA PHUM (CAMBODIA), LTD.**

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**19 INTANGIBLE ASSETS**

Computer's software:	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Opening net book amount	59,276	32,779
Additions	-	85,773
Amortisation charge for the year	<u>(29,638)</u>	<u>(59,276)</u>
Closing net book value	<u><u>29,638</u></u>	<u><u>59,276</u></u>

**20 DEPOSITS FROM CUSTOMERS**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Compulsory deposits	166,195	297,856
Staff and other deposits	<u>256,397</u>	<u>29,655</u>
	<u><u>422,592</u></u>	<u><u>327,511</u></u>

This account is for compulsory deposits from customers which represent 5% to 10% of their loan principal. Customers receive interest of 1% per month on compulsory deposits, to be paid at the maturity date. Staff and other deposits, interest of 0.42% per month for US\$ and 0.67% per month for Riel and Baht is to be paid upon the customer's request.

**21 BORROWINGS**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Foreign Trade Bank of Cambodia	17,802,729	17,667,000
The Central Bank	15,520,000	13,520,000
PlaNet Finance	12,507,000	12,243,000
Symbiotics	12,507,000	12,243,000
ASN-NOVIB FONDS	9,441,000	9,353,000
Hivos-Triodos Fonds	6,668,300	6,371,900
DEXIA MICRO-CREDIT FUND (BlueOrchard)	6,253,500	6,121,500
I&P Etudes et Conseils	5,211,250	5,101,250
Catholic Relief Services Cambodia	3,966,092	4,374,192
Calvert Foundation	2,918,300	2,856,700
Nederlandse Financierings-Masstschappij voor Ontwikkelingslanden N.V.	-	1,593,490
Other individuals	<u>258,521</u>	<u>188,322</u>
	<u><u>93,053,692</u></u>	<u><u>91,633,354</u></u>

**THANEAKEA PHUM (CAMBODIA), LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****21 BORROWINGS** (continued)

The Company has the following undrawn borrowing facilities:

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
Fixed rate:		
Expiring within one year	1,250,700	-
	<u>1,250,700</u>	<u>-</u>

On 21 May 2009, the Company signed a credit facility with Aceda Bank Plc with a facility of US\$300,000 for a period of 12 months after signing date. As at 31 December 2009, the Company has not drawn down any amount from this agreement.

**22 DEFERRED GRANT INCOME**

This account represents a grant received from Catholic Relief Service for three motor vehicles that were originally valued at a total of Riel 231,958 thousand.

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
At the beginning of the year	28,975	38,633
Amortisation of grant income during the year	(7,244)	(9,658)
	<u>21,731</u>	<u>28,975</u>

**23 ACCRUALS AND OTHER LIABILITIES**

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
Interest payable	1,091,977	1,097,709
Staff incentive (profit sharing)	396,228	400,317
Staff bonus	345,963	306,333
Withholding tax payable	118,146	110,091
Others	105,626	84,277
	<u>2,057,940</u>	<u>1,998,727</u>

**THANEAKEA PHUM (CAMBODIA), LTD.**

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**24 CURRENT INCOME TAX LIABILITIES**

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
Balance at the beginning of the year	965,619	1,013,880
Current tax (note 11)	394,172	1,168,506
Income tax paid	<u>(1,204,659)</u>	<u>(1,216,767)</u>
	<u>155,132</u>	<u>965,619</u>

**25 SHARE CAPITAL**

Based on the articles of incorporation, the Company's registered, issued and fully paid capital amounted to Riel 4,000,000 thousand represented by 40,000 ordinary shares, each having an issue price of Riel 100,000. Each share will have one vote and will participate equally in all dividends and other distributions of the Company.

The details of shareholding are as follows:

	<b>2009</b> <b>Riel '000</b>	<b>2008</b> <b>Riel '000</b>
40,000 shares of Riel 100,000 each:		
Catholic Relief Services	3,433,400	3,433,400
TPC ESOP	486,600	486,600
Ms. Elizabeth Obed Abrera	40,000	40,000
Mr. Richard Jean Balmadier	<u>40,000</u>	<u>40,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>

**THANEAKEA PHUM (CAMBODIA), LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****26 CASH GENERATED FROM/(USED IN) OPERATION**

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Profit before income tax	2,162,210	5,651,294
Adjustments for:		
Depreciation and amortisation (Note 9)	492,872	642,376
Amortisation of grant income	(7,244)	(9,658)
Provision for doubtful loans	4,171,605	624,808
Loss/(gain) on disposal of fixed assets	12,979	(14,529)
Operating profit before changes in operating assets and liabilities	6,832,422	6,894,291
(Increase) in statutory deposits	(10,000)	-
Decrease/(increase) in loans to customers	1,645,821	(27,136,495)
Decrease/(increase) in other receivables	155,583	(823,428)
Increase/(decrease) in deposits from customers	95,081	(133,347)
Increase in Other liabilities	59,213	271,856
Cash generated from/(used in) operations	<u>8,778,120</u>	<u>(20,927,123)</u>

**27 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include the following for the purpose of cash flow statement:

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Cash on hand (note 12)	226,913	188,613
Current account and fixed deposit with the Central Bank (note 13)	16,306,340	15,904,482
Balance with banks (note 14)	<u>28,500,392</u>	<u>20,123,736</u>
	<u>45,033,645</u>	<u>36,216,831</u>

**28 LEASE COMMITMENT**

The Company leases various offices under cancellable operating lease agreements. The Company is required to give one-to-two month's notice for the termination of these agreements. The lease expenditure charged to office rentals in the income statement during the year is disclosed in note 10.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**29 RELATED PARTY TRANSACTIONS**

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

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
<b>Key management</b>		
Salary and other benefits	678,864	814,725
<b>Interest expense</b>		
Catholic Relief Services	366,637	367,641
<b>Interest income</b>		
Key management loans	9,900	14,873

*Year end balances arising from related party transactions are as follows:*

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
<b>Key management loans</b>		
As at 01 January	131,239	70,935
Disbursement during the year	148,000	124,222
Collection during the year	(198,017)	(63,918)
As at 31 December	81,222	131,239
<b>Borrowing from Catholic Relief Services:</b>		
As at 01 January	4,374,192	4,366,392
Received during the year	3,264,800	-
Repaid during the year	(3,672,900)	-
Currency valuation	-	7,800
As at 31 December	3,966,092	4,374,192

**30 SUBSEQUENT EVENT**

On 05 October 2009, the board of directors of the Company issued an electronic board resolution approving the sale and transfer of Catholic Relief Services' shares, Ms. Elizabeth Obed Abrera's shares and Mr. Richard Balmadier's share to DWM Fund S.C.A - SICAV SIF which was incorporated under the laws of Luxembourg. On 22 December 2009, the Central Bank approved the change of board of directors, the change of shareholders and the new article of incorporation in response to a request from the Company.

The change of shareholders, the new board of directors and the new article of incorporation were finally approved by the Ministry of Commerce on 20 January 2010. The ownership of the shares was completely transferred to DWM Fund S.C.A - SICAV SIF in January 2010.

## **THANEAKEA PHUM (CAMBODIA), LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **31 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is the core of the financial business, and the operational risks are an inevitable consequence of being in business.

The Company does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage its risk exposures.

##### **31.1 Credit risk**

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposures arise principally in lending activities that lead to loans to customers. Credit risks are managed and studied by the credit assessment team before loans are disbursed to customers.

###### **(a) Credit risk measurement**

The Company is exposed to credit risk primarily with respect to loans. Such risks are monitored on a revolving basis and subject to annual follow-up visits. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

###### **(b) Risk limit control and mitigation policies**

The Company operates and provides loans to individual customers or group loans within the Kingdom of Cambodia. The Company manages, limits and controls concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to individual customers and with group loans whereby members of the group can secure each other, which is common practice.

Management believes that the Company's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans. Loans are also provided to those borrowers that are deemed profitable.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**31 FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk** (continued)

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 on the classification and provisioning for bad and doubtful debts of the Central Bank. The Central Bank requires micro-finance institutions to classify their loan portfolio into four classes, and a minimum mandatory level of provision is made depending on the classification concerned, as follows:

Standard	0%
Sub-standard	10%
Doubtful	30%
Loss	100%

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	<b>2009</b>	<b>2008</b>
	<b>Riel' 000</b>	<b>Riel' 000</b>
Credit risks exposures relating to on-balance sheet assets:		
Balances with banks	28,500,392	20,123,736
Loans to customers:		
Term loans	71,626,245	74,568,254
Staff loan	813,546	747,233
Provision for bad and doubtful loans	<u>(3,565,892)</u>	<u>(624,162)</u>
Net loans to customers	68,873,899	74,691,325
Other assets	<u>1,708,692</u>	<u>1,864,275</u>
<b>As at 31 December</b>	<b><u>99,082,983</u></b>	<b><u>96,679,336</u></b>

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts.

As shown above, 70% of total maximum exposure is derived from loans to customers (2008: 77%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from its loans to customers on the following basis:

- 95% of the loans to customers are considered to be neither past due nor impaired (2008: 99%); and
- The Company has introduced a stricter selection process for granting loans to customers.

**THANEAKEA PHUM (CAMBODIA), LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009****31 FINANCIAL RISK MANAGEMENT** (continued)**31.1 Credit risk** (continued)

(e) Loans to customers are summarised as follows:

	<b>2009</b> <b>Riel' 000</b>	<b>2008</b> <b>Riel' 000</b>
Loans to customers neither past due nor impaired	68,606,408	74,377,553
Loans to customers past due but not impaired	267,491	313,772
Loans to customers individually impaired	3,565,892	624,162
Gross loans to customers	72,439,791	75,315,487
Less:		
Mandatory and additional provision	<u>(3,565,892)</u>	<u>(624,162)</u>
Net loans to customers	<u><u>68,873,899</u></u>	<u><u>74,691,325</u></u>

Mandatory provision is provided in accordance with the Central Bank's requirement and additional provision is also provided to ensure that the loss will cover all doubtful loans. The total provision of Riel 3,566 million represents provision for 100% of the portfolio at risk of 30 days or more past due.

(i) Loans to customers neither past due nor impaired

Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans to customers past due but not impaired

Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount loans to customers by class that were past due but not impaired were as follows:

	<b>2009</b> <b>Riel' 000</b>	<b>2008</b> <b>Riel' 000</b>
Past due up to 30 days	<u>267,491</u>	<u>313,772</u>
Fair value of collateral	<u>-</u>	<u>-</u>

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**31 FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk** (continued)

(iii) Loans to customers individually impaired

In accordance with Prakas No. B7-02-186 dated 13 September 2002 on the classification and provisioning for bad and doubtful debts, loans to customers of 30 days or more past due are considered impaired and the minimum level of mandatory provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

The breakdown of the gross amount of individually impaired loans to customers by due date is as follows:

	<b>2009</b>	<b>2008</b>
	<b>Riel' 000</b>	<b>Riel' 000</b>
Past due 30-59 days	285,695	246,973
Past due 60-89 days	241,410	114,178
Past due 90 days and more	<u>3,038,787</u>	<u>263,011</u>
	<u>3,565,892</u>	<u>624,162</u>
Value of collateral (*)	<u>-</u>	<u>-</u>

(\*): Most of the customers' collaterals are in the form of land or house title receipts (which are not official land title deeds), as the Company generally issues loans to poor entrepreneurs in the provinces. The Company does not perform a revaluation of collateral either internally or externally. Since no legal official land title deeds have been obtained, management believes that the value of collateral is nil. Under the Central Bank's regulations, the value of collateral is not taken into account when determining the impairment of loans to customers.

(iv) Loans to customers renegotiated

There was no loan restructuring activity for the years ended 31 December 2009 and 2008.

(f) Concentration of financial assets with credit risk exposure

(i) *Geographical sector*

There is no risk regarding the geographical sector as all loans provided and all other assets are located in Cambodia only.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**31 FINANCIAL RISK MANAGEMENT** (continued)

**31.1 Credit risk** (continued)

(ii) *Industry sector*

The following table breaks down the Company's main credit exposures at their carrying amounts, as categorised by the industry sectors of the counterparties.

	<b>Financial institutions Riel' 000</b>	<b>Services Riel' 000</b>	<b>Commercial trading Riel' 000</b>	<b>Other industries Riel' 000</b>	<b>Total Riel' 000</b>
<b>31 December 2009</b>					
Balances with banks	28,500,392	-	-	-	28,500,392
Loans to customers	-	3,024,185	16,093,535	53,322,071	72,439,791
Other assets	-	-	-	1,708,692	1,708,692
As at 31 December 2009	<u>28,500,392</u>	<u>3,024,185</u>	<u>16,093,535</u>	<u>55,030,763</u>	<u>102,648,875</u>
<b>31 December 2008</b>					
Balances with banks	20,123,736	-	-	-	20,123,736
Loans to customers	-	2,531,580	18,455,337	54,328,570	75,315,487
Other assets	-	-	-	1,864,275	1,864,275
As at 31 December 2008	<u>20,123,736</u>	<u>2,531,580</u>	<u>18,455,337</u>	<u>56,192,845</u>	<u>97,303,498</u>

**31.2 Market risk**

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument, will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i) *Foreign exchange risk*

The Company is exposed to foreign exchange risk mainly arising from borrowings in various currency exposures, primarily with respect to Thai Bath and US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

## THANEAKEA PHUM (CAMBODIA), LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### 31 FINANCIAL RISK MANAGEMENT (continued)

##### 31.2 Market risk (continued)

In accordance with the Central Bank's guidelines, the Company is limited in foreign currency exposure to a ratio not to exceed 20% per individual currency and 20% of its aggregate net worth. In order to reduce the currency risk, the Company used the amount of borrowings in US dollars to make deposit with the central bank and obtained borrowings in Riel, the currency the loans are disbursed.

The table in note 32 summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2009 and 2008.

##### (ii) Price risk

The Company is not exposed to securities price risk because it does not hold any investments classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company currently does not have a policy for managing its price risk.

##### (iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The management at this stage does not have a policy to set limits on the level of mismatch of interest rate reprising that may be undertaken; however, the management regularly monitors the mismatch.

The table in note 33 summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

##### 31.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

##### (a) Liquidity risk management process

The management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting takes the form of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. The management monitors the amount of cash collected and the projection of its disbursement.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**31 FINANCIAL RISK MANAGEMENT** (continued)

**31.3 Liquidity risk** (continued)

(b) Non-derivative cash flows

The table in note 33 presents the cash flows payable of the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

**31.4 Fair value of financial assets and liabilities**

(a) Financial instruments measured at fair value

The Company did not have financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Company's balance sheet at their fair value.

	Carrying value		Fair value	
	Riel '000 2009	Riel '000 2008	Riel '000 2009	Riel '000 2008
<b>Financial assets</b>				
Balances with banks	28,500,392	20,123,736	28,500,392	20,123,736
Loans to customers	68,873,899	74,691,325	68,873,899	74,691,325
Other assets	1,708,692	1,864,275	1,708,692	1,864,275
	<u>99,082,983</u>	<u>96,679,336</u>	<u>99,082,983</u>	<u>96,679,336</u>
<b>Financial liabilities</b>				
Customers' deposits	422,592	327,511	422,592	327,511
Borrowings	93,053,692	91,633,354	93,053,692	91,633,354
	<u>93,476,284</u>	<u>91,960,865</u>	<u>93,476,284</u>	<u>91,960,865</u>

i. Balances with banks

Balances with banks include current accounts which are non-interest bearing, saving deposits and short-term deposits. The fair value of balances with other banks approximates the carrying amount.

ii. Loans to customers

Loans to customers are net of provision for loan losses and its carrying value approximates fair value. The mandatory provision of loan losses is made under the requirements of the Central Bank's Prakas and the additional provision provided so that the losses can be sufficiently absorbed.

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**31 FINANCIAL RISK MANAGEMENT** (continued)

**31.4 Fair value of financial assets and liabilities** (continued)

iii. Deposits from customers and borrowings

The fair value of deposits from customers approximates the carrying amount. The fair value of amounts due to customers with no stated maturities, which includes non-interest bearing deposits, is the amount repayable on demand.

The fair value of fixed interest-bearing deposits and borrowings not quoted in an active market is based on discounted cash flows using the interest rates of such deposits and borrowings.

**31.5 Capital management**

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirement set by the Central Bank;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide a return for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The Central Bank requires all commercial banks and financial institutions to: i) adhere to the minimum capital requirement; ii) maintain net worth at least equal to the minimum capital amount; and iii) comply with solvency and liquidity ratios.

The table below summarises the composition of regulatory capital:

	<b>2009</b>	<b>2008</b>
	<b>Riel '000</b>	<b>Riel '000</b>
<i>Tier 1 capital</i>		
Statutory capital	4,000,000	4,000,000
Reserves	788,740	788,740
Retained earnings	16,568,139	14,844,855
Less: Loans to related parties	<u>(81,222)</u>	<u>(131,239)</u>
	<u>21,275,657</u>	<u>19,502,356</u>

**THANEAKEA PHUM (CAMBODIA), LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**32 CURRENCY ANALYSIS**

Below is an analysis of the Company's assets and liabilities by currency (the Riel and the Total columns are in Riel '000):

	<u>US\$</u>	<u>Thai Baht</u>	<u>Riel</u>	<u>Total</u>
<b>ASSETS</b>				
Cash on hand	30,092	15,173	181,648	226,913
Balance with the Central Bank	16,234,221	-	287,319	16,521,540
Balances with banks	20,326,840	314,172	7,859,380	28,500,392
Loans to customers	5,341,340	8,608,764	54,923,795	68,873,899
Other assets	416,753	180,566	1,111,373	1,708,692
Total Financial Assets	<u>42,349,246</u>	<u>9,118,675</u>	<u>64,363,515</u>	<u>115,831,436</u>
<b>LIABILITIES</b>				
Customers' deposits	256	174,196	248,140	422,592
Borrowing	43,824,571	4,668,300	44,560,821	93,053,692
Accruals and other liabilities	792,140	133,185	1,132,615	2,057,940
Total Financial Liabilities	<u>44,616,967</u>	<u>4,975,681</u>	<u>45,941,576</u>	<u>95,534,224</u>
<b>Net (liability)/asset position</b>	<u>(2,267,721)</u>	<u>4,142,994</u>	<u>18,421,939</u>	<u>20,297,212</u>
As at 31 December 2008				
Total Financial Assets	41,630,552	9,181,831	62,165,248	112,977,631
Total Financial Liabilities	<u>44,618,960</u>	<u>5,220,776</u>	<u>44,119,856</u>	<u>93,959,592</u>
<b>Net (liability)/asset position</b>	<u>(2,988,408)</u>	<u>3,961,055</u>	<u>18,045,392</u>	<u>19,018,039</u>

THANEAKEA PHUM (CAMBODIA), LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

33 INTEREST RATE RISK

The interest rate risk exposure of financial assets and financial liabilities (in Riel' 000) are as follows:

	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Non Interest Bearing	Total
<b>ASSETS</b>							
Cash on hand	-	-	-	-	-	226,913	226,913
Deposits with the Central Bank	2,084,500	3,752,100	10,339,120	-	200,000	145,820	16,521,540
Balances with banks	8,383,297	9,867,648	9,910,347	-	-	339,100	28,500,392
Loans to customers	9,794,464	14,557,580	43,704,272	817,583	-	-	68,873,899
Other assets	-	-	-	-	-	1,708,692	1,708,692
<b>Total financial assets</b>	<b>20,262,261</b>	<b>28,177,328</b>	<b>63,953,739</b>	<b>817,583</b>	<b>200,000</b>	<b>2,420,525</b>	<b>115,831,436</b>
<b>LIABILITIES</b>							
Customers' deposits	302,919	2,699	45,361	448	-	71,165	422,592
Borrowings	3,400,229	20,790,000	57,348,642	11,256,300	258,521	-	93,053,692
Accruals and other liabilities	-	-	-	-	-	2,057,940	2,057,940
<b>Total financial liabilities</b>	<b>3,703,148</b>	<b>20,792,699</b>	<b>57,394,003</b>	<b>11,256,748</b>	<b>258,521</b>	<b>2,129,105</b>	<b>95,534,224</b>
<b>Total interest repricing gap</b>	<b>16,559,113</b>	<b>7,384,629</b>	<b>6,559,736</b>	<b>(10,439,165)</b>	<b>(58,521)</b>	<b>291,420</b>	<b>20,297,212</b>
As at 31 December 2008							
Total financial assets	8,886,042	28,716,591	70,560,578	106,530	200,000	4,507,890	112,977,631
Total financial liabilities	1,026,782	13,481,792	32,013,893	44,978,291	-	2,458,834	93,959,592
<b>Total interest repricing gap</b>	<b>7,859,260</b>	<b>15,234,799</b>	<b>38,546,685</b>	<b>(44,871,761)</b>	<b>200,000</b>	<b>2,049,056</b>	<b>19,018,039</b>

THANEAKEA PHUM (CAMBODIA), LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

34 LIQUIDITY ANALYSIS

	Up to 1 month Riel	1 – 3 months Riel	3 – 12 months Riel	1 – 5 years Riel	Over 5 years Riel	No fixed maturity Riel	Total Riel
<b>As at 31 December 2009</b>							
<b>LIABILITIES</b>							
Customers' deposits	374,084	2,699	45,361	448	-	-	422,592
Borrowings	3,402,531	21,143,168	59,524,273	13,172,222	-	258,521	97,500,715
Accruals and other liabilities	680,191	899,520	478,229	-	-	-	2,057,940
Total financial liabilities (contractual maturity dates)	4,456,806	22,045,387	60,047,863	13,172,670	-	258,521	99,981,247
Total financial assets (expected maturity dates)	20,262,261	28,177,328	63,953,739	817,583	200,000	2,845,171	116,256,082
<b>As at 31 December 2008</b>							
<b>LIABILITIES</b>							
Customers' deposits	3,476	9,733	37,979	624	-	278,572	330,384
Borrowings	965,906	14,135,627	36,278,912	51,538,928	-	616,803	103,536,176
Accruals and other liabilities	445,224	804,104	749,399	-	-	-	1,998,727
Total financial liabilities (contractual maturity dates)	1,414,606	14,949,464	37,066,290	51,539,552	-	895,375	105,865,287
Total financial assets (expected maturity dates)	8,886,042	28,716,591	70,560,578	106,530	200,000	4,507,890	112,977,631

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**APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS**

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**APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL PRAKAS  
FOR THE YEAR ENDED 31 DECEMBER 2009****1. CAPITAL ADEQUACY RATIO (SOLVENCY RATIO), Prakas No. B7-07-133**

A licensed micro-finance institution shall at all times maintain a capital adequacy ratio of more than 15%. As at 31 December 2009, the capital adequacy ratio of the Company is **21.12%**.

The capital adequacy ratio calculation is detailed in Schedule 1.

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

A licensed micro-finance institution shall at all times maintain a liquidity ratio of more than 100%. As at 31 December 2009, the liquidity ratio of the Company is **80.568%**.

The liquidity ratio calculation is detailed in Schedule 2.

**3. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No B 7-07-134**

A licensed micro-finance institution shall at all times maintain a net open position in foreign currencies in either any foreign currency or the overall net open position in all foreign currencies, whether long or short, shall not exceed 20% of the Company's net worth. As at 31 December 2009, the net open position in Thai Bath is **19.47%** and in US\$ is **-10.66%**. The aggregated amount is **8.81%**.

The net open position calculation is detailed in Schedule 3.

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

A licensed micro-finance institution shall deposit 5% of its deposits into an account maintained with the Central Bank. As at 31 December 2009, the reserve requirement is Riel **1,483,000**, and the Company has deposited Riel **15,200,000** with the Central Bank.

The reserve requirement calculation is detailed in Schedule 4.

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

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

**Loan term of one year or less**

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

**APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL PRAKAS  
FOR THE YEAR ENDED 31 DECEMBER 2009****5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas  
No. B702-186 (continued)**Loan term of more than one year

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

Mandatory provisions on the loans classified as follows:

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

As at 31 December 2009, the mandatory provision provided by the Company is Riel **3,139,780,000** which is in compliance with the Central Bank's Prakas.

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

**SCHEDULE 1**  
**CAPITAL ADEQUACY RATIO CALCULATION AS AT 31 DECEMBER 2009**

<b>NUMERATOR: NET WORTH</b>	<u>Riel '000</u>
<b>I- Sub-total A: Items to be added</b>	
Capital or endowment	4,000,000
Reserve, other than revaluation reserves	788,740
Premium related to capital (share premiums)	-
Provision for general banking risks	-
Retained earnings	14,844,855
Audited net profit for the last financial year ([1])	1,723,284
Other items ([2])	-
<b>Sub-total A</b>	<u><b>21,356,879</b></u>
<b>II- Sub-total B: Items to be deducted</b>	
For shareholders, directors, managers and their next of kin	
Unpaid portion of capital	-
Advances, loans, security and the agreement of the persons concerned as defined above	81,222
Holding of own shares at their book value	-
Accumulated losses	-
Formation expenses	-
Losses determined on dates	-
<b>Sub-total B</b>	<u><b>81,222</b></u>
<b>III- Total C: BASE NET WORTH = A - B</b>	<u><b>21,275,657</b></u>
<b>IV- Sub-total D: Items to be added</b>	
Revaluation reserves	-
Subordinated debt (up to 100% of base net worth)	-
Other items (not more than base net worth [3])	-
<b>Sub-total D</b>	<u><b>-</b></u>
<b>V- Sub-total E: Items to be deducted</b>	
Equity participation in banking and financial institutions	-
Other items ([4])	-
<b>Sub-total E</b>	<u><b>-</b></u>
<b>Total F: TOTAL NET WORTH = C + D - E</b>	<u><b>21,275,657</b></u>

**SCHEDULE 1**  
**CAPITAL ADEQUACY RATIO CALCULATION AS AT 31 DECEMBER 2009**

**DENOMINATOR: RISK-WEIGHTED ASSETS**

	Riel '000	Risk Weighting	Risk Weighted Amount
<b>Zero weighting Asset</b>			
Cash	226,913	0%	-
Gold		0%	-
Claims on the NBC	16,521,540	0%	-
Assets collateralised by deposits lodged with the bank		0%	-
Claims on or guaranteed by sovereigns rated AAA to AA-		0%	-
<b>20 percent weighting Asset</b>			
Claims on or guaranteed by sovereigns rated A+ to A-		20%	-
Claims on or guaranteed by banks or corporations rated AAA to AA-		20%	-
<b>50 percent weighting Asset</b>			
Claims on or guaranteed by sovereigns rated BBB+ to BBB-		50%	-
Claims on or guaranteed by banks or corporations rated A+ to A-		50%	-
<b>100 percent weighting Asset</b>			
All other assets	100,319,513	100%	100,319,513
All off-balance sheet items	-	100%	-
<b>Total</b>	<b><u>117,067,966</u></b>		
<b>Total G: TOTAL RISK-WEIGHTED ASSETS</b>			<b><u>100,319,513</u></b>
<b>SOLVENCY RATIO = Total F/Total G</b>			<b><u>21.21%</u></b>

**SCHEDULE 2**  
**LIQUIDITY RATIO AS AT 31 DECEMBER 2009**

	<u>Riel '000</u>
<b>1- Numerator : liquid asset</b>	
- Cash on hand	226,913
- Balance with the Central Bank	16,521,540
- Balances with banks	<u>28,500,392</u>
<b>Sub- Total (A)</b>	<u>45,248,845</u>
<b>Less:</b>	
- Amount owed to the Central Bank	-
- Amount owed to banks (*)	<u>3,400,229</u>
<b>Sub-total (B)</b>	<u>3,400,229</u>
<b>Net liquidity (A – B)</b>	41,848,616
<b>Plus:</b>	
- Portion of loans maturing in less than one month	<u>9,794,464</u>
<b>Liquid assets (L)</b>	<u>51,643,080</u>
<b>2. Denominator : Adjusted amount of deposits (A)</b>	
Category of deposits	Amount %
Staff and other deposits	<u>256,397</u> 25% <u>64,099</u>
<b>Total</b>	<u>256,397</u> <u>64,099</u>
<b>LIQUIDITY RATIO (L/A)</b>	<u>80,568%</u>

(\*) with maturity of one month or less.

THANEAKEA PHUM (CAMBODIA), LTD.

UNAUDITED

SCHEDULE 3  
CALCULATION OF FOREIGN CURRENCY EXPOSURE AS AT 31 DECEMBER 2009

THANEAKEA PHUM (CAMBODIA) LTD

(Exchange Rate 1US\$) = 4,169  
(Net Worth) = 21,275,657

As at December 31, 2009

Currency	Elements after deduction of affected provision					Net Open Position +(Long) or -(Short) (1+2+3+4)	Net Open Position/ Net Worth (%)	Limit (%)	Excess (1)
	1	2	3	4	5				
	Assets +	Liabilities and Capital -	Currencies Receivable +	Currencies Payable -					
US\$	42,318,545	(44,586,266)		-	(2,267,721)	-10.66%	20%		
Riel	65,660,132	(67,535,407)			(1,875,275)	-8.81%	20%		
EUR					-		20%		
SGD					-		20%		
HKD					-		20%		
THB	9,089,289	(4,946,293)			4,142,996	19.47%	20%	0.31%	
JPY					-		20%		
VND					-		20%		
<b>Grand Total</b>	<b>117,067,966</b>	<b>(117,067,966)</b>			<b>(4)</b>	<b>8.81%</b>			

Riel '000

(1) Where there is an excess, the Company shall submit a written explanation of the origin of each excess, and the measures taken to remedy the situation

(2) Total equal to total assets on the balance sheet

(3) Total equal to total liabilities and capital on the balance sheet

(4) Total = Zero

**SCHEDULE 4**  
**RESERVE REQUIREMENT AS AT 31 DECEMBER 2009**

	<u>Riel '000</u>
1-Voluntary	
1-1 Demand	-
1-2 Savings (5%-8% per annum)	256,397
1-3 Term	-
1-4 Other	-
	<u>256,397</u>
<b>1-5 Total Reserve Deposits</b>	<b>256,397</b>
<b>2- Compulsory</b>	
2-1 Program (12% per annum)	166,195
2-2 Program	-
2-3 Program	-
	<u>166,195</u>
<b>2-4 Total Compulsory Savings</b>	<b>166,195</b>
	<u>422,592</u>
<b>3- Total Savings Mobilised</b>	<b>422,592</b>
	<u>12,820</u>
5% Reserve Deposit	<u><u>12,820</u></u>

**SCHEDULE 5**  
**LOAN CLASSIFICATION, PROVISIONING AND DELINGUENCY RATIO**  
**AS AT 31 DECEMBER 2009**

Loan classification	Amount Riel '000	Rate %	Mandatory Provision Riel '000
<b>1- Loans of one year or less</b>			
1-1 Standard	68,314,908	0%	-
1-2 Sub-standard Past Due ≥30 days	285,696	10%	28,570
1-3 Doubtful Past Due ≥60 days	241,410	30%	72,424
1-4 Loss Past Due > 90 days	3,038,786	100%	3,038,786
<b>Sub-Total 1</b>	<b>71,880,800</b>		<b>3,139,780</b>
<b>2- Loans of more than one year</b>			
2-1 Standard	558,991	0%	-
2-2 Sub-standard Past Due ≥ 30 days	-	10%	-
2-3 Doubtful Past Due ≥ 180 days	-	30%	-
2-4 Loss Past Due ≥ 360 days	-	100%	-
<b>Sub-Total 2</b>	<b>558,991</b>		<b>-</b>
<b>Grand total 1+2</b>	<b>72,439,791</b>		<b>3,139,780</b>
<b>All loans past due &gt; 30 days (A)</b>			<b>3,565,892</b>
<b>Loans outstanding (B)</b>			<b>72,439,791</b>
<b>Delinquency Ratio (A/B)</b>			<b>4.92%</b>