

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

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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



## STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD") submits its report and the audited financial statements of Thaneakea Phum (Cambodia), Ltd. ("TPC") for the year ended 31 December 2007.

## PRINCIPAL ACTIVITY

The principal activity of TPC is to provide 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 the 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 2007 are set out in the income statement on page 9.

## SHARE CAPITAL

During the year ended 31 December 2007, there have been no changes in the registered and paid up share capital of TPC as set out in the statement of changes in shareholders' equity on page 8.

## RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year under review.

## BAD AND DOUBTFUL LOANS

Before the financial statements of TPC 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 and the provision for bad and doubtful loans. The BOD has satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

At the date of this report, the 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 TPC inadequate to any material extent.



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## **CURRENT ASSETS**

Before the financial statements of TPC were drawn up, the BOD took reasonable steps to ensure that any current assets, other than loans which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of TPC, 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 current assets in the financial statements of TPC 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 financial statements of TPC misleading or inappropriate in any material respect.

## **CONTINGENT AND OTHER LIABILITIES**

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

- i) any charge on the assets of TPC which has arisen since the end of the year which secures the liabilities of any other person; or
- ii) any contingent liability in respect of TPC 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 TPC 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 TPC to meet its obligations as and when they fall 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 TPC, which would render any amount stated in the financial statements misleading in any material respect.

## **ITEMS OF AN UNUSUAL NATURE**

The financial performance of TPC for the year ended 31 December 2007 were 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 TPC for the current 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 BOD during the year and as at the date of this report are:

- Mark Taylor Pierce, CRS/SEAPRO Regional Director Chairman
- Richard Balmadier, CRS/Indonesia representative Vice Chairman
- Mark David Palmer, CRS/HQ representative Member
- Tun Korng, Branch Manager/Employees representative Member

All members are non-executive board members, except Mr. Tun Korng, who holds the position of Branch Manager/Employees representative.

## DIRECTORS' INTERESTS

The interests of directors in shares of TPC during the year and as at the date of this report are as follows:

Shareholder	Holding %	Number of shares of Riel 100,000 each
Richard Balmadier	1%	400

## DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which TPC was a party, with the object of enabling the Directors of TPC to acquire benefits by means of the acquisition of shares in or debentures of TPC or any other body corporate.

No Director of TPC has received or become entitled to receive any benefit by reason of a contract made by TPC 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 BOD 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 TPC as at 31 December 2007, and of its financial performance for the period 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 of guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there has been any departures in the interests of true and fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that TPC will continue operations in the foreseeable future;
- v) set overall policies for TPC, ratify all decisions and actions by the BOD that have a material effect on the operations and performance of TPC, and ensure they have been properly reflected in the financial statements.

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

On behalf of the Board of Directors,



Richard Balmadier  
Vice Chairman  
Date: 31 March 2008

## Independent auditors' report

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

We have audited the accompanying financial statements of Thaneakea Phum (Cambodia), Ltd. ("TPC") which comprise the balance sheet as of 31 December 2007 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 7 to 41.

### *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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 control. 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 TPC as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with 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: 31 March 2008

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

**BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	<b>Note</b>	<b>2007 Riel '000</b>	<b>2006 Riel '000</b>
<b>ASSETS</b>			
Cash on hand	4	158,429	58,556
Balances with the Central Bank	5	3,812,788	203,200
Balances with banks	6	8,186,823	582,333
Loans to customers	7	48,179,638	29,123,220
Other assets	8	1,040,847	583,431
Deferred tax assets	9	198,685	-
Property and equipment	10	966,289	582,209
Intangible assets	11	<u>32,779</u>	<u>7,175</u>
<b>TOTAL ASSETS</b>		<b><u>62,576,278</u></b>	<b><u>31,140,124</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits	12	460,858	561,030
Borrowings	13	43,895,235	13,500,761
Deferred grant income	14	38,633	51,511
Accruals and other liabilities	15	1,726,871	678,727
Current income tax liabilities	16	<u>1,013,880</u>	<u>640,786</u>
<b>Total Liabilities</b>		<b><u>47,135,477</u></b>	<b><u>15,432,815</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	4,000,000	4,000,000
Reserves		788,740	788,740
Hybrid capital	18	-	3,966,092
Retained earnings		<u>10,652,061</u>	<u>6,952,477</u>
<b>Total Shareholders' Equity</b>		<b><u>15,440,801</u></b>	<b><u>15,707,309</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>62,576,278</u></b>	<b><u>31,140,124</u></b>

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA), LTD.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Share Capital Riel '000	Reserves Riel '000	Hybrid capital Riel '000	Retained earnings Riel '000	Total Riel '000
<b>Balance as at 1 January 2006</b>		4,000,000	788,740	3,966,092	3,781,721	12,536,553
Net profit for the year		-	-	-	3,170,756	3,170,756
<b>Balance as at 31 December 2006</b>		<b>4,000,000</b>	<b>788,740</b>	<b>3,966,092</b>	<b>6,952,477</b>	<b>15,707,309</b>
<b>Balance as at 1 January 2007</b>		4,000,000	788,740	3,966,092	6,952,477	15,707,309
Transfer to borrowings	18	-	-	(3,966,092)	-	(3,966,092)
Net profit for the year		-	-	-	3,699,584	3,699,584
<b>Balance as at 31 December 2007</b>		<b>4,000,000</b>	<b>788,740</b>	<b>-</b>	<b>10,652,061</b>	<b>15,440,801</b>

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

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

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Note</b>	<b>2007 Riel '000</b>	<b>2006 Riel '000</b>
Interest income	19	14,507,310	3,988,514
Interest expense	20	<u>(3,256,538)</u>	<u>(1,255,603)</u>
<b>Net interest income</b>		<b>11,250,772</b>	<b>7,732,911</b>
Grant income	21	108,256	132,232
Other operating (loss)/income	22	<u>(261,921)</u>	<u>453,552</u>
<b>Operating income</b>		<b>11,097,107</b>	<b>8,318,695</b>
Commission expenses	23	(515,232)	(364,564)
Operating and other expenses	24	(5,831,446)	(3,981,771)
Provision for bad and doubtful loans	7	<u>(111,167)</u>	<u>(81,395)</u>
<b>Operating profit before income tax</b>		<b>4,639,262</b>	<b>3,890,965</b>
Income tax	25	<u>(939,678)</u>	<u>(720,209)</u>
<b>Net profit for the year</b>		<b><u>3,699,584</u></b>	<b><u>3,170,756</u></b>

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

**THANEAKEA PHUM (CAMBODIA), LTD.****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Note</b>	<b>2007 Riel '000</b>	<b>2006 Riel '000</b>
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	26	<u>(14,269,756)</u>	<u>(8,880,475)</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(799,010)	(427,328)
Purchase of intangible assets		(58,383)	(12,287)
Proceeds from disposal of property and equipment		<u>10,221</u>	<u>15,032</u>
Net cash used in investing activities		<u>(847,172)</u>	<u>(424,583)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		33,424,542	10,454,736
Repayments on borrowings during the year		<u>(6,996,163)</u>	<u>(2,555,990)</u>
Net cash generated from financing activities		<u>26,428,379</u>	<u>7,898,746</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,311,451</b>	<b>(1,406,312)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b><u>641,389</u></b>	<b><u>2,047,701</u></b>
<b>Cash and cash equivalents at end of the year</b>	27	<b><u>11,952,840</u></b>	<b><u>641,389</u></b>

*Non-cash transactions*

The principal non-cash transaction for the year is the transfer of hybrid capital into borrowings as discussed in Note 18.

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

## THANEAKEA PHUM (CAMBODIA), LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1 BACKGROUND INFORMATION

Thaneakea Phum (Cambodia), Ltd. ("TPC"), a licensed micro-finance institution, was incorporated in Cambodia and registered with the Ministry of Commerce as a limited liability company under register number Co. 1413/02E dated 27 June 2002. Its activities are an offshoot of the Thaneakea Phum Program ("the Program") which the Catholic Relief Services (CRS) launched in December 1994 as part of CRS Cambodia's strategy for rural reconstruction and poverty alleviation. TPC is the result of the operational merger and transformation of CRS branches and two of its non-government organizations (NGO) partners who spinned off their micro-finance operations to become a branch of a licensed micro-finance institution. The transferred assets and liabilities of TPC were established based on the asset transfer document dated 19 September 2002.

TPC 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. TPC's corporate focus is to provide 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, TPC is already operating in eight provinces, namely Takeo, Kampot, Battambang, Svay Rieng, Banteay Meanchey, Siem Reap, Kampong Cham and Kandal. Financial services are provided either through village banks made up of solidarity groups of five members each, or to solidarity groups themselves.

The National Bank of Cambodia ("Central Bank") granted TPC a license 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 TPC the extension of this license for another three-year period commencing from 12 February 2006 to 12 February 2009. On 13 September 2006, the Central Bank issued a new Prakas No. B7-06-209 in which the license is valid indefinitely.

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

As at 31 December 2007, TPC had 264 employees (2006: 227 employees).

The financial statements were approved for issue by the Board of Directors on 31 March 2008.

#### 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.

##### ***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"). The Company maintains its accounting records in Riel, the functional currency in Cambodia.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

***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 Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodia accounting principles, procedures and practices.

***Basis of aggregation***

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

***Financial instruments***

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

***Segment information***

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

***Foreign currency translation***

TPC transacts primarily in and maintains its accounting records in Cambodian Riel ("Riel"). Foreign currency transactions other than Riel are accounted for at the exchange rate prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translations of the monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Monetary assets and liabilities dominated in the currencies other than Riel at the balance sheet date are translated into Riel at the rates of exchange ruling at that date.

The principal rates used to translate monetary assets and liabilities at the balance sheet date are:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Riel / US\$	4,003	4,057
Riel / Thai Baht	131	112

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

***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 or less than 90 days maturity from the date of acquisition and they are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

***Loans to customers***

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and impairment allowance for bad and doubtful loans and advances, including specific provisions, to reflect the estimated recoverable amount. The principal is calculated using the effective interest rate method, which is based on expected future cash flows of contractual installment payments discounted at prevailing market rates offered for similar loans with similar risk profiles.

***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.

The provision for bad and doubtful loans charged to expense is based on management's judgment, which is consistent with the Central Bank's guidelines on the amount necessary to maintain the provision at a level adequate to absorb losses. Presently, the amount of provision is being determined by applying defined percentages to the respective category to which each of the loans belong, as set out below.

	<b>Percentage applied (%)</b>
<b>Loan status/classification</b>	
<b><i>Loan 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>Loan 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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

***Overdue loans***

In accordance with Prakas B 700-51K issued by the Central Bank on 17 February 2000, overdue loans are defined as the total outstanding principal where principal or interest are past due unless the payment terms on interest or principal have been adjusted.

The provision will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provision shall be recorded in the institution's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard. The analysis of overdue loans is set out in Note 7.

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

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

***Deposits with banks***

Deposits and placements with banks are carried at cost.

***Other receivables***

Other receivables are carried at estimated realisable value.

***Property and equipment***

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Motor vehicles	25% - declining balance
Computers	50% - declining balance
Office furniture and equipment	25% - declining balance

Expenditure for maintenance and repairs that do not extend the useful lives of assets is expensed to the income statement in the year in which it was incurred.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

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

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 recognized upon the disposal of such assets.

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

***Impairment of assets***

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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).

***Intangible assets***

***Micro Banker Software License***

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

***Customer deposits***

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

***Provisions***

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

***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 consolidated 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%.

***Interest income and expense recognition***

Interest income earned on loans is recognized on an accrual basis taking into consideration the principal amount of loans outstanding. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount 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 recognized in the income statement on an accrual basis.

***Grants***

Revenue grants received to subsidize TPC's operating expenses are released to the income statement on a systematic and rational basis, matching the related costs which they are intended to compensate.

Grants received for the purchase of property, plant and equipment are 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*.

Funds received to be used exclusively for funding its loan disbursement are recognized as *Hybrid capital* and treated as part of shareholder's equity in the balance sheet.

***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.

## THANEAKEA PHUM (CAMBODIA), LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Related party transactions*

Parties are considered to be related to TPC 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 TPC 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 TPC or voting rights and include any individual who participates in the administration, direction, management or internal control of TPC.

### *Reserves*

This account represents profits from the previous Program under CRS. After deduction of previous losses, five percent of the net profits shall be transferred into the legal reserve funds. Such transfer will cease when the reserve funds reach 10% of the registered capital of the Company.

### *Comparatives*

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

## 3 RISK MANAGEMENT

### *Financial risk management and policies*

By its nature, TPC's activities are principally related to the use of financial instruments. TPC accepts funds from its shareholders and lenders and seeks to earn interest margins by lending at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

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

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

### *Interest rate risk*

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**3 RISK MANAGEMENT** (Continued)

*Foreign currency risk*

TPC is exposed to foreign exchange risk mainly arising from borrowings in various currency exposures, primarily with respect to the Thai Bath and US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. In accordance with Central Bank's guidelines, TPC is limited in foreign currency exposure to a ratio not to exceed 20% per individual currency and 20% of its aggregate net worth. There is no reserve for currency risk of unhedged borrowings which are denominated in United State Dollars (US\$). In order to mitigate currency risk, TPC uses the cash from borrowing in US\$ to provide loans in US\$.

*Credit risk*

TPC is exposed to credit risk primarily with respect to loans. Such risks are monitored on a revolving basis and subject to an annual or regular 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. Management believes that TPC'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.

*Fair value*

Since the majority of financial assets are short-term (maturities of less than one year) with interest close to current market rates, the management believes the fair value of TPC's financial assets do not materially differ from their carrying values.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**4 CASH ON HAND**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Head office	2,000	2,000
Provincial branches:		
Banteay Meanchey	40,330	14,175
Siem Reap	28,893	4,304
Phnom Penh	13,609	3,263
Chhuk	13,182	2,272
Samroung Bati	11,902	5,194
Kandal	10,552	7,692
Kampong Cham	10,240	3,817
Battambang	9,387	1,890
Tramkok	9,169	3,594
Svay Rieng	9,165	10,355
	<b><u>158,429</u></b>	<b><u>58,556</u></b>

**5 BALANCES WITH THE CENTRAL BANK**

		<b>2,007</b>	<b>2,006</b>
		<b>Riel '000</b>	<b>Riel '000</b>
Fixed deposit	(i)	3,602,700	-
Capital guarantee deposit	(ii)	200,000	200,000
Customers' deposits	(iii)	5,200	2,700
Current account, without interest		4,888	500
		<b><u>3,812,788</u></b>	<b><u>203,200</u></b>

(i) Fixed deposit for the period ranging from 23 August 2007 and 18 September 2007 to 22 February 2008 and 18 March 2008, which earn annual interest rate of 4.01%.

(ii) Following the Central Bank's Prakas No. B700-006 on the *Licensing of Micro-Finance Institutions*, TPC maintains a minimum amount equal to 5% of its share capital of Riel 4,000,000,000 as at 31 December 2007 in an interest earning account with the Central Bank (3% per annum following the Central Bank's Prakas No. 06.210).

(iii) Customers' deposits fluctuate depending on the level of the voluntary deposits. Customers' deposits held as a legal reserve by the Central Bank and do not earn any interest.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**6 BALANCES WITH BANKS**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Current accounts, without interest		
Acleda Bank Plc.	1,488,563	101,748
Foreign Trade Bank of Cambodia	587	-
Saving deposits (i)		
Acleda Bank Plc.	1,893,430	477,036
Rural Development Bank of Cambodia	643	3,549
Fixed deposits (i)		
Foreign Trade Bank of Cambodia	<u>4,803,600</u>	<u>-</u>
	<u><b>3,186,823</b></u>	<u><b>582,333</b></u>
(i) By interest rates (per annum):		
Acleda Bank Plc.	1,893,430	2.00% - 4.00%
Rural Development Bank of Cambodia	643	1.00% - 1.50%
Foreign Trade Bank of Cambodia	4,803,600	5.00%

**7 LOANS TO CUSTOMERS**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Thaneakea Phum loans:		
Fixed term	4,758,874	3,796,041
End of cycle	27,434,892	15,814,717
Solidarity group loans:		
Fixed term	3,789,696	3,666,755
Market loans:		
Fixed term	10,465	11,134
Individual loans:		
Fixed term	3,661,518	2,556,473
End of cycle	196,124	-
Staff loans	<u>423,201</u>	<u>340,776</u>
	48,274,770	29,185,896
Provision for bad and doubtful loans	<u>(95,132)</u>	<u>(62,676)</u>
	<u><b>48,179,638</b></u>	<u><b>29,123,220</b></u>
Total number of loans	73,930	56,007

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**7 LOANS TO CUSTOMERS (Continued)**

	<b>2007</b>	<b>2006</b>
	<u>Riel '000</u>	<u>Riel '000</u>
<i>The movements in provision for bad and doubtful loans to customers were as follows:</i>		
At beginning of year	32,676	206,395
Provision during the year	111,167	31,395
Bad debts written off during the year	(80,374)	(225,898)
Currency revaluation	1,663	784
	<u>35,132</u>	<u>32,676</u>

*The loans to customers are analysed as follows:*

	<b>2007</b>	<b>2006</b>
	<u>Riel '000</u>	<u>Riel '000</u>
(a) By maturity:		
Within 1 month	4,733,621	3,991,381
2 to 3 months	9,956,627	5,781,645
4 to 12 months	33,584,522	19,412,870
	<u>48,274,770</u>	<u>29,185,896</u>
(b) By currency:		
Khmer Riel	38,404,826	23,113,314
Thai Baht	9,069,105	5,873,361
US Dollar	800,839	199,221
	<u>48,274,770</u>	<u>29,185,896</u>
(c) By economic sector:		
Agriculture	30,479,877	10,997,510
Trade and commerce	13,469,377	8,086,305
Services	1,737,545	1,210,378
Construction	397,828	168,151
Transportation	225,930	248,257
Household/family	198,404	8,412,646
Other categories	1,765,809	32,649
	<u>48,274,770</u>	<u>29,185,896</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**7 LOANS TO CUSTOMERS (Continued)**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
(d) By residency status:		
Residents	<u>48,274,770</u>	<u>29,185,896</u>
(e) By relationship:		
External customers	47,851,569	28,845,120
Staff loans	<u>423,201</u>	<u>340,776</u>
	<u>48,274,770</u>	<u>29,185,896</u>
(f) By locations:		
Banteay Meanchey	9,069,105	5,873,361
Samroung Bati	5,288,964	3,949,546
Tramkok	5,831,440	2,638,370
Siem Reap	4,975,744	3,314,195
Kampong Cham	4,356,450	2,001,229
Svay Rieng	4,355,581	2,664,814
Chhuk	3,931,250	2,551,373
Battambang	3,812,572	2,061,199
Kandal	3,475,989	2,229,174
Phnom Penh	<u>2,177,675</u>	<u>1,902,635</u>
	<u>48,274,770</u>	<u>29,185,896</u>
(g) By performance:		
Standard loans:		
Secured	7,061,080	2,897,250
Unsecured	41,076,740	26,187,765
Sub-standard loans:		
Secured	6,189	2,276
Unsecured	27,151	23,355
Doubtful loans:		
Secured	3,773	2,666
Unsecured	13,102	18,959
Loans loss:		
Secured	13,677	5,196
Unsecured	<u>73,058</u>	<u>48,429</u>
	<u>48,274,770</u>	<u>29,185,896</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**7 LOANS TO CUSTOMERS (Continued)**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
(h) By interest rate (per annum):		
External customers	47,851,569	24% - 42%
Staff loans	<u>423,201</u>	18%
	<u><u>48,274,770</u></u>	

**8 OTHER ASSETS**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Interest receivable	967,741	525,471
Prepayments and deposits	70,709	49,591
Others	<u>2,397</u>	<u>8,369</u>
	<u><u>1,040,847</u></u>	<u><u>583,431</u></u>

**9 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 deferred income taxes related to the same fiscal authority. The offset amounts are as follows:

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Deferred tax asset	199,077	-
Deferred tax liability	<u>(392)</u>	<u>-</u>
Deferred tax asset (net)	<u><u>198,685</u></u>	<u><u>-</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**9 DEFERRED TAX ASSETS** (Continued)

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

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
As at 1 January	-	-
Credited to the income statement (Note 25)	<u>198,685</u>	<u>-</u>
As at 31 December	<u><u>198,685</u></u>	<u><u>-</u></u>

**Deferred tax asset**

	<b>Provision for 13<sup>th</sup> month salary</b>	<b>Provision for staff incentive</b>	<b>Unrealised loss on exchange</b>	<b>Total</b>
	<b>Riel '000</b>	<b>Riel '000</b>	<b>Riel '000</b>	<b>Riel '000</b>
As at 1 January 2006	-	-	-	-
Credited to the income statement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 2006	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
As at 1 January 2007	-	-	-	-
Credited to the income statement	<u>40,336</u>	<u>93,368</u>	<u>65,373</u>	<u>199,077</u>
As at 31 December 2007	<u><u>40,336</u></u>	<u><u>93,368</u></u>	<u><u>65,373</u></u>	<u><u>199,077</u></u>

**Deferred tax liability**

	<b>Accelerated depreciation</b>	<b>Total</b>
	<b>Riel '000</b>	<b>Riel '000</b>
As at 1 January 2006	-	-
Credited to the income statement	<u>-</u>	<u>-</u>
As at 31 December 2006	<u><u>-</u></u>	<u><u>-</u></u>
As at 1 January 2007	-	-
Credited to the income statement	<u>(392)</u>	<u>(392)</u>
As at 31 December 2007	<u><u>(392)</u></u>	<u><u>(392)</u></u>

THANEAKEA PHUM (CAMBODIA), LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

10 PROPERTY AND EQUIPMENT

	Office equipment Riel '000	Motor vehicle Riel '000	Computer Riel '000	Total Riel '000
<b>At 1 January 2006</b>				
Cost	88,543	1,082,941	552,250	1,723,734
Accumulated depreciation	<u>(54,472)</u>	<u>(821,509)</u>	<u>(432,269)</u>	<u>(1,308,250)</u>
Net book amount	<u>34,071</u>	<u>261,432</u>	<u>119,981</u>	<u>415,484</u>
<b>Year ended 31 December 2006</b>				
Opening net book amount	34,071	261,432	119,981	415,484
Additions	3,373	354,976	68,979	427,328
Disposal – net	-	(2,733)	-	(2,733)
Depreciation charged	<u>(9,360)</u>	<u>(154,029)</u>	<u>(94,481)</u>	<u>(257,870)</u>
Closing net book amount	<u>28,084</u>	<u>459,646</u>	<u>94,479</u>	<u>582,209</u>
<b>At 31 December 2006</b>				
Cost	91,916	1,339,624	562,506	1,994,046
Accumulated depreciation	<u>(63,832)</u>	<u>(879,978)</u>	<u>(468,027)</u>	<u>(1,411,837)</u>
Net book amount	<u>28,084</u>	<u>459,646</u>	<u>94,479</u>	<u>582,209</u>
<b>Year ended 31 December 2007</b>				
Opening net book amount	28,084	459,646	94,479	582,209
Additions	26,030	625,896	147,084	799,010
Disposal - net	(4,341)	(3,091)	(2,172)	(9,604)
Depreciation charged	<u>(13,413)</u>	<u>(271,299)</u>	<u>(120,614)</u>	<u>(405,326)</u>
Closing net book amount	<u>36,360</u>	<u>811,152</u>	<u>118,777</u>	<u>966,289</u>
<b>At 31 December 2007</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>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**11 INTANGIBLE ASSETS**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Cost		
At 1 January	16,411	4,124
Additions	<u>58,383</u>	<u>12,287</u>
At 31 December	<u>74,794</u>	<u>16,411</u>
Less: accumulated amortization		
At 1 January	9,236	2,062
Charge for the year	<u>32,779</u>	<u>7,174</u>
At 31 December	<u>42,015</u>	<u>9,236</u>
Net book value		
At 31 December	<u><u>32,779</u></u>	<u><u>7,175</u></u>

**12 CUSTOMERS' DEPOSITS**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Compulsory deposits	389,387	521,800
Voluntary deposits	<u>71,471</u>	<u>39,230</u>
	<u><u>460,858</u></u>	<u><u>561,030</u></u>

This account represents the compulsory deposits from customers representing 5% to 10% of their principal loan amounts. Customers receive interest of 1% per month on their savings deposits that will be paid at the maturity of their loans.

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**12 CUSTOMERS' DEPOSITS** (Continued)

The details of customer deposits, by location, are as follows:

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Banteay Meanchey	174,724	104,677
Phnom Penh	91,912	154,498
Kampong Cham	83,306	33,164
Svay Rieng	48,436	72,516
Kandal	18,100	26,021
Battambang	11,214	12,754
Samrong Bati	9,146	25,012
Chhuk	9,132	9,111
Tramkok	8,774	14,014
Siem Reap	6,114	59,263
	<u>460,858</u>	<u>561,030</u>

According to the Central Bank's Prakas No. B07-163 dated 13 December 2007 on *Licensing of Micro-Finance Deposit Taking Institutions*, TPC decided to stop receiving customer deposits immediately and issued an internal memorandum to all branches for customers to withdraw their deposits. On 25 March 2008, the management submitted a letter to the Central Bank about their intention and the process of transferring customer deposits. However, as at date, there is no response from the Central Bank.

**THANEAKEA PHUM (CAMBODIA), LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007****13 BORROWINGS**

	<b>Note</b>	<b>2007</b> <b>Riel '000</b>	<b>2006</b> <b>Riel '000</b>
Hivos-Triodos Fonds	(i)	3,853,550	4,189,600
PlaNet Finance	(ii)	3,555,250	2,096,640
ASN-NOVIB FONDS	(iii)	5,266,000	-
Foreign Trade Bank of Cambodia	(iv)	4,825,000	-
Catholic Relief Services Cambodia	(v)	4,366,392	567,980
Symbiotics SA Information, Consulting & Services	(vi)	4,003,000	-
National Bank of Cambodia	(vii)	3,600,000	-
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	(viii)	3,293,127	3,122,991
Calvert Social Investment Foundation	(ix)	1,000,750	-
Other individuals		132,166	107,300
Rural Development Bank of Cambodia		-	2,000,000
Aceda Bank Plc.		-	1,014,250
Micro-finance Alliance Fund		-	402,000
		<u>43,895,235</u>	<u>13,500,761</u>

**(i) Hivos-Triodos Fonds**

The Company entered into a loan agreement with Hivos-Triodos Fonds on 14 October 2005 and 8 February 2007 for a loan of Riel 4,000 million and Riel 2,000 million respectively. The loan is unsecured, ending no later than 1 January 2009 and 1 April 2010 respectively. The loan bears interest at the rate of 11.50% per annum, exclusive of withholding tax of 14%, on the outstanding loan balance. Payments are on a quarterly basis for interest and principal upon maturity date.

On 6 April 2006 and 9 February 2007, the Company entered into another loan agreement with Hivos-Triodos Fonds for the total amount of THB 37,050,000 (THB 19,550,000 and THB 17,500,000). The loan is unsecured, ending no later than 1 April 2010 and bears interest at the rate of 11.50% per annum, exclusive of withholding tax of 14%, on the outstanding loan balance. Payments are on a quarterly basis for interest and principal upon maturity date.

The loan period can be renewed annually for one year, up to a maximum period of 3 years, ending no later than 1 January 2009 for the loan amount of Riel 2,000 million and 1 April 2010 for the rest of loan.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **13 BORROWINGS (Continued)**

##### **(ii) PlaNet Finance**

The Company entered into promissory notes with PlaNet Finance on 9 February 2007 and 7 September 2007 for a loan amount of THB 18,750,000 and US\$ 500,000 respectively. The loan bears interest at a rate of 11.50% and 10% per annum, exclusive of withholding tax of 14%, and both interest and principal for Thai Baht will be due for full payment on 9 February 2008 and for US dollar, the interest shall be paid semiannually and the principal amount will be due for full payment on 7 September 2009.

On 3 October 2007 and 7 December 2007 the Company entered into promissory notes with responsAbility SICAV (Lux), for a loan amount of THB 16,000,000 and US\$ 500,000. The loan bears interest at a rate of 11.50% and 10.00% per annum, exclusive of withholding tax of 14%, and the interest shall be paid semiannually and the principal amount will be due for full payment on 3 October 2008 and 7 December 2009.

##### **(iii) ASN-NOVIB FONDS**

The Company entered into a loan agreement with ASN-Novib Fonds on 16 May 2007 for an aggregate amount of US\$1 million and is denominated in two currencies US Dollar and Khmer Riel (US\$ 0.5 million and Riel 2,039 million). The loan bears interest at a rate of 9% and 13.00% per annum for US Dollar and Khmer Riel, exclusive of withholding tax of 14%, with semiannually interest payment. The Loan shall be for a period of three years for US Dollar and two years for Khmer Riel from the commencement date thereof, ending no later than 31 May 2010 and 31 May 2009 for US Dollar and Khmer Riel respectively.

On 9 August 2007, the Company entered into a loan agreement with ASN-Novib Fonds for a loan amount of Riel 1,225.5 million. The loan bears interest at a rate of 13% per annum, exclusive of withholding tax of 14%, with semiannually interest payment. The Loan shall be for a period of two years from the commencement date thereof, ending no later than 31 August 2009.

##### **(iv) Foreign Trade Bank of Cambodia**

The Company entered into a loan agreement with Foreign Trade Bank of Cambodia on 14 August and 12 November 2007 for an aggregate amount of Riel 4,825 million (Riel 2,025 million and Riel 2,800 million). The loan bears interest at a rate of 9% per annum with monthly interest payment. The Loan shall be for a period of one year, ending no later than 14 August and 12 November 2008 respectively.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **13 BORROWINGS** (Continued)

##### **(v) Catholic Relief Services Cambodia**

This interest free loan of US\$100,000 entered into a loan agreement between Catholic Relief Services, Cambodia Program, a minority shareholder, and the Company dated 17 February 2005 and shall be for a period of one year subject to annual renewal with 30 days advance notice for termination and full withdrawal.

On 6 September 2007, the Company entered into a loan agreement with Catholic Relief Services for a loan of Riel 3,966,091,798. The loan is converted from TPC's Hybrid Capital and for a period of forty four months payable at maturity. Interest rate is subject to a previous year NBC average fixed deposit rate for 12 months plus one percent, exclusive of withholding tax of 15%, and paid semiannually.

##### **(vi) Symbiotics SA Information, Consulting & Services**

On 9 August 2007, the company entered into promissory notes with Dual Return Fund S.I.C.A.V for a loan amount of US\$ 500,000. The loan bears interest at a rate of 9% per annum, exclusive of withholding tax of 14%, and the interest shall be paid semiannually. The principal amount US\$ 250,000 will be due on 9 February 2009 and another US\$ 250,000 on 9 August 2009.

On 15 October 2007, the company entered into promissory notes with Finethic Microfinance, Société en Commandite par Actions (S.C.A.) for a loan amount of US\$ 500,000. The loan bears interest at a rate of 9% per annum, exclusive of withholding tax of 14%, and the interest shall be paid semiannually. The principal amount US\$ 250,000 will be due on 15 April 2009 and another US\$ 250,000 on 15 October 2009.

##### **(vii) National Bank of Cambodia**

The Company entered into a loan agreement with National Bank of Cambodia on 29 August and 25 September 2007 for an aggregate amount of Riel 3,600 million (Riel 1,200 million and Riel 2,400 million). The loan bears interest at a rate of 6% per annum with monthly interest payment. The Loan shall be for a period of six months, ending no later than 21 February and 17 March 2008 respectively.

##### **(viii) Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.**

The loan agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) was finalized and signed on 13 September 2005 for an aggregate amount of US\$ 750,000 and is denominated in three currencies, US Dollar, Thai Baht and Khmer Riel not exceeding the equivalent of US\$ 250,000 each. The loan is unsecured, matures in 3 years with an 18 month grace period on the principal with a final maturity date on 15 July 2009 and bears interest 9.83%, 11.24% and 11.95% per annum for US Dollar, Thai Baht and Khmer Riel respectively, exclusive of withholding tax of 14%, on the declining balance. Repayments are on a semiannual basis for both interest and principal.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**13 BORROWINGS** (Continued)

**(ix) Calvert Social Investment Foundation**

On 18 September 2007, the Company entered into promissory notes with Calvert Social Investment Foundation, INC, for a loan amount of US\$ 250,000. The loan bears interest at a rate of 8.75% per annum, exclusive of withholding tax of 14%, and the interest shall be paid quarterly. The principal amount will be due for full payment on 21 September 2010.

**14 DEFERRED GRANT INCOME**

This account is originally represented by grant received from CRS for three motor vehicles amounting to Riel 231,958 thousand.

	<b>2007</b>	<b>2006</b>
	<b><u>Riel '000</u></b>	<b><u>Riel '000</u></b>
At beginning of the year	51,511	68,681
Amortisation of grant income during the year	<u>(12,878)</u>	<u>(17,170)</u>
	<b><u>38,633</u></b>	<b><u>51,511</u></b>

**15 ACCRUALS AND OTHER LIABILITIES**

	<b>2007</b>	<b>2006</b>
	<b><u>Riel '000</u></b>	<b><u>Riel '000</u></b>
Interest payable	899,521	202,561
Staff incentive	466,839	254,331
Staff bonus	201,681	148,157
Withholding tax payable	74,684	28,846
Others	<u>84,146</u>	<u>44,832</u>
	<b><u>1,726,871</u></b>	<b><u>678,727</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**16 CURRENT INCOME TAX LIABILITIES**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Balance at beginning of year	640,786	331,478
Current tax (Note 25)	1,138,363	720,209
Income tax paid	<u>(765,269)</u>	<u>(410,901)</u>
	<u>1,013,880</u>	<u>640,786</u>

**17 SHARE CAPITAL**

The details of shareholding are as follows:

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
40,000 shares of RIEL 100,000 each:		
Catholic Relief Services	3,920,000	3,920,000
Ms. Elizabeth Obed Abrera	40,000	40,000
Mr. Richard Balmadier	<u>40,000</u>	<u>40,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>

Based on the articles of incorporation, the Company's registered, issued and fully paid capital amounted to Riel 4,000,000,000 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.

**18 HYBRID CAPITAL**

On 27 April 2007, the Board has approved to convert TPC's hybrid capital amounting to Riel 3,966,092 thousand into borrowings as per the transfer agreement. The borrowings will be for a period of forty four months payable at maturity (see Note 13 – v for more detail).

On 18 May 2007, the management submitted a letter to the Central Bank for their approval. On 6 September 2007, the Central Bank has approval on the above requested letter.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**19 INTERST INCOME**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Loans to customers	14,331,848	8,967,578
Balances with banks	<u>175,462</u>	<u>20,936</u>
	<u><u>14,507,310</u></u>	<u><u>8,988,514</u></u>

**20 INTEREST EXPENSES**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Borrowings	3,203,043	1,119,329
Customers' deposits	<u>53,495</u>	<u>136,274</u>
	<u><u>3,256,538</u></u>	<u><u>1,255,603</u></u>

**21 GRANT INCOME**

During the year, the Company receives grant income in-kind or subsidies as follows:

	<b>2,007</b>	<b>2,006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Triodos Fund grant for general training	33,849	-
ADB grant for technical fees	26,528	17,566
CGAP for rating evaluation	24,288	-
Amortisation of grant income from CRS	12,878	17,170
URCI grant for training	8,701	-
Microfinance SHA Fund grant for training	2,012	-
USAID-PACT grant for DPAT practicality test	-	39,292
Micro-finance Alliance Fund grant for general training	<u>-</u>	<u>8,204</u>
	<u><u>108,256</u></u>	<u><u>132,232</u></u>

**THANEAKEA PHUM (CAMBODIA), LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007****22 OTHER OPERATING (LOSS)/INCOME**

	<b>2,007</b>	<b>2,006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Foreign exchange gain/(loss) – net	(339,917)	325,482
Recovery from loans written off	55,028	44,295
Penalty income	9,688	9,231
Gain on disposal of fixed assets	616	12,299
Other income	2,664	3,164
Reversal on import tax of motor vehicles	-	59,081
	<u>(261,921)</u>	<u>453,552</u>

**23 COMMISSION EXPENSES**

The commission expenses represent payments towards the Group Leader (“GL”), Village Leader (“VL”) and key person (including commune leader, district leader and other influential person). The basis of the incentive is calculated at a maximum rate of 2%, 3% and 5% of interest amount collected for GL, VL and key person respectively.

**24 OPERATING AND OTHER EXPENSES**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Staff costs	3,558,846	2,535,521
Depreciation and amortization	438,105	265,044
Traveling expenses	436,259	297,771
Bank and service charge and other fees	256,385	136,838
Office rentals	242,946	181,483
Professional services	209,856	94,471
Office supplies and equipment	153,761	131,650
Utilities	102,597	78,832
Communication	80,681	38,115
Photocopy and printing	79,267	71,055
Other expenses	272,743	120,991
	<u>5,831,446</u>	<u>3,981,771</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**25 INCOME TAX**

*a) Tax on profit expenses*

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
	<u>          </u>	<u>          </u>
Current tax	1,138,363	720,209
Deferred tax assets (Note 9)	<u>(198,685)</u>	<u>-</u>
	<u>939,678</u>	<u>720,209</u>

*b) Accounting profit reconciliation*

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
	<u>          </u>	<u>          </u>
Income before income tax	4,639,262	3,890,965
Profit tax at 20%	927,852	778,193
Expense not deductible for tax purposes	11,826	56,155
Income not subject to tax	-	(115,029)
Others	<u>-</u>	<u>890</u>
	<u>939,678</u>	<u>720,209</u>

*c) Other tax matters*

The Company's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations to 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 tax authorities.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**26 NET CASH USED IN OPERATING ACTIVITIES**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Profit before income tax	4,639,262	3,890,965
Adjustments for:		
Depreciation and amortization	438,105	265,044
Amortisation of grant income	(12,878)	(17,170)
Provision for doubtful loans	112,830	31,395
Gain on disposal of fixed assets	(616)	(12,299)
Operating profit before changes in operating assets and liabilities	5,176,703	4,207,935
Decrease/(increase) in:		
Statutory deposits	(2,500)	(2,700)
Loans to customers	(19,169,246)	(11,209,386)
Other receivables	(457,416)	(232,679)
Increase/(decrease) in:		
Deposits from customers	(100,172)	(1,516,547)
Other liabilities	1,048,144	283,803
Cash used in operations	(13,504,487)	(8,469,574)
Income tax paid	(765,269)	(410,901)
Net cash used in operating activities	<u>(14,269,756)</u>	<u>(8,880,475)</u>

**27 CASH AND CASH EQUIVALENTS**

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Cash on hand (Note 4)	158,429	58,556
Current account and fixed deposit with the Central Bank (Note 5)	3,607,588	500
Balance with banks (Note 6)	8,186,823	582,333
	<u>11,952,840</u>	<u>641,389</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**28 LEASE COMMITMENT**

The Company leases various offices under cancelable 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 24.

**29 RELATED PARTY TRANSACTIONS**

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

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
<b>Key management</b>		
Salary and other benefits	<u>560,558</u>	<u>479,316</u>
<b>Interest expenses</b>		
Catholic Relief Services Cambodia	<u>116,520</u>	<u>-</u>
<b>Interest incomes</b>		
Staff loans	<u>78,258</u>	<u>56,203</u>

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

	<b>2007</b>	<b>2006</b>
	<b>Riel '000</b>	<b>Riel '000</b>
Staff loans	423,201	340,776
Borrowings		
Catholic Relief Services Cambodia	<u>4,366,392</u>	<u>567,980</u>
	<u>4,789,593</u>	<u>908,756</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**30 SUBSEQUENT EVENTS**

On 4 April 2007, BoD has agreed and approved to transfer Riel 486,600 thousand from Catholic Relief Services shares to TPC Employee Share Ownership Program (TPC ESOP). Further to this, the Company received an approval from the Central Bank and Ministry of Commerce on the revision of the Company share structure on 16 Jan 2008, which is presented below:

	<b>2007</b>	<b>2006</b>
	<b><u>Riel '000</u></b>	<b><u>Riel '000</u></b>
40,000 shares of RIEL 100,000 each:		
Catholic Relief Services	3,433,400	3,920,000
TPC ESOP	486,600	-
Ms. Elizabeth Obed Abrera	40,000	40,000
Mr. Richard 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 2007**

**31 CURRENCY ANALYSIS**

An analysis of TPC's assets and liabilities by currency (in Riel '000) are as follows:

	<u>US\$</u>	<u>Thai Baht</u>	<u>Riel</u>	<u>Total</u>
<b>ASSETS</b>				
Cash on hand	10,220	40,330	107,879	158,429
Balance with the Central Bank	3,603,100	-	209,688	3,812,788
Balances with banks	6,376,903	1,401,433	408,487	8,186,823
Loans to customers	800,739	9,055,025	38,323,874	48,179,638
Other assets	155,035	158,713	727,099	1,040,847
Deferred tax assets	-	-	198,685	198,685
Property and equipment	-	-	966,289	966,289
Intangible assets	-	-	32,779	32,779
Total Assets	<u>10,945,997</u>	<u>10,655,501</u>	<u>40,974,780</u>	<u>62,576,278</u>
<b>LIABILITIES</b>				
Customers' deposits	5,275	174,724	279,859	460,858
Borrowing	12,541,466	10,671,927	20,681,842	43,895,235
Deferred grant income	-	-	38,633	38,633
Accruals and other liabilities	328,001	908,290	490,580	1,726,871
Current income tax liabilities	-	-	1,013,880	1,013,880
Total Liabilities	<u>12,875,742</u>	<u>11,754,941</u>	<u>22,504,794</u>	<u>47,135,477</u>
<b>Net (liability)/asset position</b>	<u>(1,929,745)</u>	<u>(1,099,440)</u>	<u>18,469,986</u>	<u>15,440,801</u>
As at 31 December 2006				
Total Assets	339,100	6,082,190	24,718,834	31,140,124
Total Liabilities	<u>2,809,124</u>	<u>5,856,480</u>	<u>6,767,211</u>	<u>15,432,815</u>
<b>Net (liability)/asset position</b>	<u>(2,470,024)</u>	<u>225,710</u>	<u>17,951,623</u>	<u>15,707,309</u>

THANEAKEA PHUM (CAMBODIA), LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

32 MATURITY PROFILE

The maturity profile of assets and 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	No fixed maturity date	Total
<b>ASSETS</b>							
Cash on hand	158,429	-	-	-	-	-	158,429
Deposits with the Central Bank	10,088	3,602,700	-	-	-	200,000	3,812,788
Balances with banks	3,383,223	-	4,803,600	-	-	-	8,186,823
Loans to customers	4,733,621	9,956,627	33,489,390	-	-	-	48,179,638
Other assets	986,592	15,473	23,211	15,571	-	-	1,040,847
Deferred tax assets	-	-	-	-	-	198,685	198,685
Property and equipment	22,606	45,211	203,450	695,022	-	-	966,289
Intangible assets	1,366	2,732	12,292	16,389	-	-	32,779
Total Assets	<u>9,295,925</u>	<u>13,622,743</u>	<u>38,531,943</u>	<u>726,982</u>	<u>-</u>	<u>398,685</u>	<u>62,576,278</u>
<b>LIABILITIES</b>							
Customers' deposits	460,858	-	-	-	-	-	460,858
Borrowings	955,448	3,656,250	12,144,282	27,139,255	-	-	43,895,235
Deferred grant income	805	1,610	7,243	28,975	-	-	38,633
Accruals and other liabilities	393,327	903,855	429,689	-	-	-	1,726,871
Current income tax liabilities	-	1,013,880	-	-	-	-	1,013,880
Total Liabilities	<u>1,810,438</u>	<u>5,575,595</u>	<u>12,581,214</u>	<u>27,168,230</u>	<u>-</u>	<u>-</u>	<u>47,135,477</u>
<b>Net liquidity surplus/(gap)</b>	<u>7,485,487</u>	<u>8,047,148</u>	<u>25,950,729</u>	<u>(26,441,248)</u>	<u>-</u>	<u>398,685</u>	<u>15,440,801</u>
As at 31 December 2006							
Total Assets	5,230,598	5,810,438	19,441,559	416,624	-	240,905	31,140,124
Total Liabilities	1,249,336	1,549,235	8,904,640	3,729,604	-	-	15,432,815
<b>Net liquidity surplus/(gap)</b>	<u>3,981,262</u>	<u>4,261,203</u>	<u>10,536,919</u>	<u>(3,312,980)</u>	<u>-</u>	<u>240,905</u>	<u>15,707,309</u>

THANEAKEA PHUM (CAMBODIA), LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

33 INTEREST RATE ANALYSIS

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

ASSETS	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
Cash on hand	-	-	-	-	-	158,429	158,429
Deposits with the Central Bank	-	3,602,700	-	-	200,000	10,088	3,812,788
Balances with banks	1,894,072	-	4,803,600	-	-	1,489,151	8,186,823
Loans to customers	4,733,621	9,956,627	33,489,390	-	-	-	48,179,638
Other assets	-	-	-	-	-	1,040,847	1,040,847
Deferred tax assets	-	-	-	-	-	198,685	198,685
Property and equipment	-	-	-	-	-	966,289	966,289
Intangible assets	-	-	-	-	-	32,779	32,779
<b>Total Assets</b>	<b>6,627,693</b>	<b>13,559,327</b>	<b>38,292,990</b>	<b>-</b>	<b>200,000</b>	<b>3,896,268</b>	<b>62,576,278</b>
<b>LIABILITIES</b>							
Customers' deposits	460,858	-	-	-	-	-	460,858
Borrowings	955,448	3,656,250	12,144,282	27,139,255	-	-	43,895,235
Deferred grant income	-	-	-	-	-	38,633	38,633
Accruals and other liabilities	-	-	-	-	-	1,726,871	1,726,871
Current income tax liabilities	-	-	-	-	-	1,013,880	1,013,880
Total Liabilities	1,416,306	3,656,250	12,144,282	27,139,255	-	2,779,384	47,135,477
<b>Net liquidity surplus/(gap)</b>	<b>5,211,387</b>	<b>9,903,077</b>	<b>26,148,708</b>	<b>(27,139,255)</b>	<b>200,000</b>	<b>1,116,884</b>	<b>15,440,801</b>
As at 31 December 2006							
Total Assets	4,471,966	5,781,645	19,311,989	-	200,000	1,374,524	31,140,124
Total Liabilities	1,074,031	709,050	8,587,740	3,690,970	-	1,371,024	15,432,815
<b>Net liquidity surplus/(gap)</b>	<b>3,397,935</b>	<b>5,072,595</b>	<b>10,724,249</b>	<b>(3,690,970)</b>	<b>200,000</b>	<b>3,500</b>	<b>15,707,309</b>

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**APPENDIX I: 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 2007****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 2007, the Capital Adequacy Ratio of the Company is **27.49%**.

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 2007, the Liquidity Ratio of the Company is **89.928%**.

The Liquidity Ratio calculation is detailed in Schedule 2.

**3. CALCULATION OF FOREIGN CURRENCY EXPOSURE, Prakas No B 7-07-134**

A licensed Micro-finance Institution's foreign currency exposure ratio should not exceed 20% of net worth for each currency. As at 31 December 2007, the Foreign Currency Exposure Ratio are **-7.34%** and **-12.88%** for individual Thai Baht and US\$ currencies respectively and aggregate **-20.21%**.

The Foreign Currency Exposure Ratio calculation is detailed in Schedule 3.

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

A licensed Micro-finance Institution shall deposit 5% of their deposits into an account maintained with the Central Bank. As at 31 December 2007, the reserve requirement is Riel **3,574 thousand**, the Company has deposited Riel **5,200 thousand** 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 portfolio into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

Loan term of one year or less than one year

- **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 2007****5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas  
No. B702-186 (Continued)**Loan term 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 180 days or more.
- **Loss:** some payments of principal and/or interest are overdue 360 days or more.

Specific provisions on the loans classified as follow:

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

As at 31 December 2007, the specific provision provided by the Company is Riel **95,132 thousand** which is in compliance with the Central Bank's Prakas.

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

**SCHEDULE 1**  
**CAPITAL ADEQUACY RATIO CALCULATION AS AT 31 DECEMBER 2007**

	<u>Riel '000</u>		
<b>1-NUMERATOR : ELIGIBLE CAPITAL</b>			
<b>1.1. CORE CAPITAL</b>			
- Paid in capital		4,000,000	
- Reserves		788,740	
- Retained earnings		6,952,477	
- Net profit for the year		<u>3,699,584</u>	
<b>Sub total A</b>		<u>15,440,801</u>	
<b>Less :</b>			
- Unpaid capital		-	
- Loan to related parties		423,201	
- Intangible asset		<u>32,779</u>	
<b>Sub-total B</b>		<u>455,980</u>	
<b>Core capital (A-B)</b>		<u>14,984,821</u>	
<b>1.2. HYBRID CAPITAL</b>			
- Non-refundable grants		-	
- Public guarantee funds		-	
- Perpetual subordinated debt		<u>-</u>	
<b>Hybrid capital</b>		<u>-</u>	
<b>1.3 ELIGIBLE CAPITAL ( Core capital + Hybrid capital ) (E)</b>		<u>14,984,821</u>	
<b>2-DENOMINATOR:RISK-WEIGHTED ASSET (R)</b>			
	<b>Asset</b>	<b>Amount Riel'000</b>	<b>Weighting</b>
-Cash		158,429	0%
- Gold		-	0%
- Deposits with the Central Bank		3,812,788	0%
- Deposits with bank rated AAA to AA-		-	20%
- Deposits with bank rated A+ to A-		8,186,823	50%
- Loans		48,179,638	100%
- Others asset		<u>2,238,600</u>	100%
<b>Total</b>		<u>62,576,278</u>	
<b>CAPITAL ADEQUACY RATIO ( C=E/R )</b>			<u>27.49%</u>

**SCHEDULE 2**  
**LIQUIDITY RATIO AS AT 31 DECEMBER 2007**

	<u>Riel '000</u>
<b>1- Numerator : liquid asset</b>	
- Cash on hand	158,429
- Balance with the Central Bank	3,812,788
- Balances with banks	<u>8,186,823</u>
<b>Sub- Total (A)</b>	<u>12,158,040</u>
<b>Less:</b>	
- Amount owed to the Central Bank	-
- Amount owed to banks	<u>823,280</u>
<b>Sub-total (B)</b>	<u>823,280</u>
<b>Net liquidity (A – B)</b>	11,334,760
<b>Plus:</b>	
- Portion of loans maturing in less than one month	<u>4,733,621</u>
<b>Liquid assets (L)</b>	<u><b>16,068,381</b></u>
<b>2. Denominator : Adjusted amount of deposits (A)</b>	
Category of deposits	Amount %
Voluntary savings	<u>71,471</u> 25% <u>17,868</u>
<b>Total</b>	<u><b>71,471</b></u> <u><b>17,868</b></u>
<b>LIQUIDITY RATIO (L/A)</b>	<b>89,928%</b>

**SCHEDULE 3**  
**CALCULATION OF FOREIGN CURRENCY EXPOSURE AS AT 31 DECEMBER 2007**

	<b>THB</b> <b>Riel '000</b>	<b>US\$</b> <b>Riel '000</b>	<b>Total</b> <b>Riel '000</b>
1- Asset in foreign currency (Riel)	10,655,501	10,945,997	21,601,498
2- Minus: Liabilities in that currency (Riel)	11,754,941	12,875,742	24,630,683
3- Net Position (Long or Short)	(1,099,440)	(1,929,745)	(3,029,185)
4- Minus: Provision for FX losses	-	-	-
5- Adjusted Net Position (Long or Short)	(1,099,440)	(1,929,745)	(3,029,185)
6- Net worth	<u>14,986,244</u>	<u>14,986,244</u>	<u>14,986,244</u>
<b>7- Foreign currency exposure ratio: 5/6</b>	<b><u>-7.34%</u></b>	<b><u>-12.88%</u></b>	<b><u>-20.21%</u></b>

**SCHEDULE 4**  
**RESERVE REQUIREMENT AS AT 31 DECEMBER 2007**

	<u>Riel '000</u>
1-Voluntary	
1-1 Demand	-
1-2 Saving (5%-8% per annum)	71,471
1-3 Term	-
1-4 Other	-
	<u>          </u>
<b>1-5 Total Reservable Deposits</b>	<b><u>71,471</u></b>
<b>2- Compulsory</b>	
2-1 Program (12% per annum)	389,387
2-2 Program	-
2-3 Program	-
	<u>          </u>
2-4 Total Compulsory saving	<b><u>389,387</u></b>
<b>3- Total saving mobilized</b>	<b><u>460,858</u></b>
5% Reservable Deposit	<b><u><u>3,574</u></u></b>

**SCHEDULE 5**  
**LOAN CLASSIFICATION, PROVISIONING AND DELINGUENCY RATIO**  
**AS AT 31 DECEMBER 2007**

Loan classification	<u>Amount</u> Riel'000	<u>Rate</u> %	<u>Specific</u> <u>Provision</u> Riel'000
<b>1-Loans of one year or less</b>			
1-1 Standard	48,137,819	0%	-
1-2 Substandard Past Due > 30 days	33,340	10%	3,334
1-3 Doubtful Past Due > 60 days	16,875	30%	5,063
1-4 Loss Past Due > 90 days	<u>86,735</u>	100%	<u>86,735</u>
<b>Sub-Total 1</b>	<b><u>48,274,769</u></b>		<b><u>95,132</u></b>
<b>2-Loans of more than one year</b>			
2-1 Standard	-	0%	-
2-2 Substandard Past Due ≥ 30 days	-	10%	-
2-3 Doubtful Past Due ≥ 180 days	-	30%	-
2-4 Loss Past Due ≥ 360 days	<u>-</u>	100%	<u>-</u>
<b>Sub-Total 2</b>	<b><u>-</u></b>		<b><u>-</u></b>
<b>Grand total 1+2</b>	<b><u>48,274,769</u></b>		<b><u>95,132</u></b>
<b>All loan past due &gt; 30 days (A)</b>			<b>136,951</b>
<b>Loan outstanding (B)</b>			<b><u>48,274,769</u></b>
<b>Delinquency Ratio (A/B)</b>			<b><u>0.28%</u></b>