



**HATTHA KAKSEKAR LIMITED**

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

## Corporate information

Company	Hattha Kaksekar Limited	
Registration No	Co. 5523/01P	
Registered office	No. 239, Street 63 (Trasak Paem) Sangkat Boeung Keng Kang I Khan Chamkarmorn, Phnom Penh Kingdom of Cambodia	
Shareholders	Hattha Kaksekar Non-Government Organisation (“HKNGO”) Solidarité Internationale Développement et Investissement (“SIDI”) Catholic Organisation for Relief and Development Aid (“CORDAID”) Hattha Kaksekar Staff Association (“HKSA”) Norwegian Investment Fund for Developing Countries (“NORFUND”) OIKOCREDIT, Ecumenical Development Cooperative Society, U.A. (“OIKOCREDIT”) ASN-Novib Fonds Mr. Dy Davuth	
Board of Directors	Mrs. Dominique Marcon	Chairwoman, Solidarité Internationale Développement et Investissement
	Mr. Hout Ieng Tong	Member, General Manager of Hattha Kaksekar Limited
	Mr. Dy Davuth	Member, Associate Professor of Build Bright University
	Mr. Seng Vannara	Member, Retail Manager at Kampuchea Tela Co., Ltd (resigned on 1 April 2009)
	Ms. Elizabeth Lee Marinelli	Member, Head of Financial Institution and Funds, NORFUND
	Mrs. Tahira Donkersloot	Member, Equity Investment Officer
	Mr. Erik Peter Geurts	Member, Senior Equity Investment Officer

Management team	Mr. Hout Ieng Tong	General Manager
	Ms. Im Vandith	Deputy General Manager
	Mr. Rath Sarun	Assistant General Manager
	Mr. Toch Chaochek	Head of Operation Department
	Mr. Phat Thomas	Head of Human Resource Department (appointed on 5 October 2009)
	Mr. Khou Buntry	Head of Finance Department
	Mr. Bong Benly	Head of Management Information System Department
	Mr. Mech Sokmetrey	Head of Marketing Department
	Mr. Ros Vol	Head of Internal Audit Department

Auditors KPMG Cambodia Ltd

Principal bankers  
 Acleda Bank Plc.  
 National Bank of Cambodia  
 Cambodian Public Bank Limited  
 Canadia Bank Plc.  
 Rural Development Bank

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## Report of the Board of Directors

The Board of Directors of Hattha Kaksekar Limited (“HKL” or “the Company”) presents their report together with the audited financial statements of HKL for the year ended 31 December 2009.

### Principal activity

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

### Financial results

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

	US\$
Profit before income tax	1,542,101
Income tax expense	(326,485)
	<hr/>
Net profit for the year	1,215,616
	<hr/> <hr/>

### Reserves and provisions

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

### Bad and doubtful loans

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

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

# **Hattha Kaksekar Limited**

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

### **Current assets**

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

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

### **Valuation methods**

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

### **Contingent and other liabilities**

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

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

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

### **Change of circumstances**

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

# **Hattha Kaksekar Limited**

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

### **Items of unusual nature**

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

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

### **Share capital**

There were no changes in the registered and issued share capital of the Company for the year under review.

### **The Board of Directors**

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

- Mrs. Dominique Marcon      Chairwoman, Solidarité Internationale Développement et Investissement
- Mr. Hout Ieng Tong      Member, General Manager of Hattha Kaksekar limited
- Mr. Dy Davuth      Member, Associate Professor of Build Bright University
- Mr. Seng Vannara      Member, Retail Manager at Kampuchea Tela Co., Ltd (resigned on 1 April 2009)
- Ms. Elizabeth Lee Marinelli      Member, Head of Financial Institution and Funds, NORFUND
- Mrs. Tahira Donkersloot      Member, Equity Investment Officer
- Mr. Erik Peter Geurts      Member, Senior Equity Investment Officer

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

At the date of this report, there have been no significant events occurring after the balance sheet date which would require disclosures or adjustments to be made in the financial statements.

### **Directors' interests**

No members held any interest in the equity of the Company, except for Mr. Dy Davuth who holds 555 shares in the Company, with a par value of US\$100 each, representing 2.04% (2008: 555 shares of US\$100 each, representing 2.04%).

# Hattha Kaksekar Limited

## Report of the Board of Directors (continued)

### 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 Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit received by the Directors as disclosed in note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company which the Director has a substantial financial interest other than as disclosed in the financial statements.

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

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

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

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

*On behalf of the Board of Directors*



Hout Ieng Tong  
General Manager

Date: 25/07/10



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## **REPORT OF THE INDEPENDENT AUDITORS**

### **To the shareholders of Hattha Kaksekar Limited**

We have audited the accompanying financial statements of Hattha Kaksekar Limited (“HKL” or “the Company”), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 59.

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

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

### **Auditors’ Responsibility**

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

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

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



## Opinion

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

The accompanying financial statements of the Company have been translated into Khmer Riel solely for compliance with the guidelines issued by the National Bank of Cambodia regarding the preparation and presentation of the financial statements. We have audited the translation and, in our opinion, the financial statements expressed in United States Dollars have been translated into Khmer Riel on the basis as set forth in Note 4 to the financial statements.

For KPMG Cambodia Ltd



Craig McDonald  
*Audit Partner*

Phnom Penh

25 March 2010

# Hattha Kaksekar Limited

## Balance sheet As at 31 December 2009

	Note	2009		2008	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note4)
<b>ASSETS</b>					
Cash on hand	5	63,416	264,381	74,593	304,414
Deposits with banks	6	1,731,772	7,219,757	5,789,268	23,626,003
Loans to customers	7	30,303,544	126,335,474	28,847,051	117,724,815
Other receivables	8	551,432	2,298,920	564,027	2,301,794
Statutory deposits	9	149,988	625,300	149,378	609,612
Property and equipment	10	582,654	2,429,085	564,641	2,304,300
Intangible assets	11	9,110	37,980	18,219	74,352
Deferred tax assets	12(a)	52,244	217,805	46,032	187,856
<b>TOTAL ASSETS</b>		<b>33,444,160</b>	<b>139,428,702</b>	<b>36,053,209</b>	<b>147,133,146</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Deposits from customers	13	1,506,614	6,281,073	1,194,239	4,873,689
Borrowings	14	16,574,178	69,097,748	20,123,145	82,122,555
Other liabilities	15	945,370	3,941,248	992,263	4,049,425
Amounts due to shareholders	16	5,718,807	23,841,706	5,731,038	23,388,366
Deferred grant income	17	42,192	175,899	60,184	245,611
Provision for income tax	12(b)	269,594	1,123,937	426,450	1,740,342
<b>Total liabilities</b>		<b>25,056,755</b>	<b>104,461,611</b>	<b>28,527,319</b>	<b>116,419,988</b>
<b>Equity</b>					
Share capital	18	2,716,800	11,326,339	2,716,800	11,087,261
Share premium		1,445,955	6,028,186	1,445,955	5,900,942
Reserves		173,648	723,939	80,464	328,374
Retained earnings		3,321,683	13,848,096	2,553,352	10,420,230
Net equity		7,658,086	31,926,560	6,796,571	27,736,807
Subordinated loans	19	729,319	3,040,531	729,319	2,976,351
<b>Total equity</b>		<b>8,387,405</b>	<b>34,967,091</b>	<b>7,525,890</b>	<b>30,713,158</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>33,444,160</b>	<b>139,428,702</b>	<b>36,053,209</b>	<b>147,133,146</b>

The accompanying notes form part of these financial statements.

# Hattha Kaksekar Limited

## Income statement Year ended 31 December 2009

	Note	2009		2008	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	20	8,196,623	34,171,721	6,717,300	27,413,301
Interest expenses	21	(2,471,267)	(10,302,712)	(1,979,465)	(8,078,197)
<b>Net interest income</b>		<u>5,725,356</u>	<u>23,869,009</u>	<u>4,737,835</u>	<u>19,335,104</u>
Other operating income	22	<u>339,615</u>	<u>1,415,855</u>	<u>119,144</u>	<u>486,227</u>
<b>Operating income</b>		<u>6,064,971</u>	<u>25,284,864</u>	<u>4,856,979</u>	<u>19,821,331</u>
Salaries and staff benefits	23	(2,214,148)	(9,230,783)	(1,453,369)	(5,931,199)
General and administrative expenses	24	(1,177,325)	(4,908,268)	(1,065,799)	(4,349,526)
Provision for bad and doubtful loans	7	<u>(1,149,389)</u>	<u>(4,791,803)</u>	<u>(68,353)</u>	<u>(278,949)</u>
<b>Profit from operations</b>		<u>1,524,109</u>	<u>6,354,010</u>	<u>2,269,458</u>	<u>9,261,657</u>
Grant income	25	<u>17,992</u>	<u>75,009</u>	<u>66,431</u>	<u>271,105</u>
<b>Profit before income tax</b>		<u>1,542,101</u>	<u>6,429,019</u>	<u>2,335,889</u>	<u>9,532,762</u>
Income tax expense	12(c)	<u>(326,485)</u>	<u>(1,361,116)</u>	<u>(472,201)</u>	<u>(1,927,052)</u>
<b>Net profit for the year</b>		<u><u>1,215,616</u></u>	<u><u>5,067,903</u></u>	<u><u>1,863,688</u></u>	<u><u>7,605,710</u></u>

The accompanying notes form part of these financial statements.

## Hattha Kaksekar Limited

### Statement of changes in equity Year ended 31 December 2009

	Share capital US\$	Share premium US\$	Reserves US\$	Retained earnings US\$	Net equity US\$	Subordinated loans US\$	Total US\$
<b>Balance as at 1 January 2008</b>	1,339,700	-	44,704	868,463	2,252,867	729,319	2,982,186
Increase in share capital	64,500	67,725	-	-	132,225	-	132,225
Conversion of borrowings	1,312,600	1,378,230	-	-	2,690,830	-	2,690,830
Net profit for the year	-	-	-	1,863,688	1,863,688	-	1,863,688
Transfer to legal reserves	-	-	35,760	(35,760)	-	-	-
Dividends paid	-	-	-	(143,039)	(143,039)	-	(143,039)
<b>Balance as at 31 December 2008</b>	<u>2,716,800</u>	<u>1,445,955</u>	<u>80,464</u>	<u>2,553,352</u>	<u>6,796,571</u>	<u>729,319</u>	<u>7,525,890</u>
Net profit for the year	-	-	-	1,215,616	1,215,616	-	1,215,616
Transfer to legal reserves	-	-	93,184	(93,184)	-	-	-
Dividends paid	-	-	-	(354,101)	(354,101)	-	(354,101)
<b>Balance as at 31 December 2009</b>	<u>2,716,800</u>	<u>1,445,955</u>	<u>173,648</u>	<u>3,321,683</u>	<u>7,658,086</u>	<u>729,319</u>	<u>8,387,405</u>
(KHR'000 equivalents - Note 4)	<u>11,326,339</u>	<u>6,028,186</u>	<u>723,939</u>	<u>13,848,096</u>	<u>31,926,560</u>	<u>3,040,531</u>	<u>34,967,091</u>

The accompanying notes form part of these financial statements.

# Hattha Kaksekar Limited

## Statement of cash flows Year ended 31 December 2009

	Note	2009 US\$ KHR'000 (Note 4)	2008 US\$ KHR'000 (Note 4)
<b>Cash flows from operating activities</b>			
Net cash generated from/(used in) operating activities	26	62,171	(11,871,119)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(221,267)	(378,605)
Purchase of intangible assets		-	(18,000)
Proceeds from disposal of property and equipment		5,722	7,713
Net cash used in investing activities		(215,545)	(388,892)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		3,798,900	13,375,336
Repayments of borrowings		(7,347,867)	(1,935,492)
Proceeds from shareholders		786,759	5,254,123
Repayments to shareholders		(798,990)	(163,102)
Increase in share capital		-	132,225
Dividends paid		(354,101)	(143,039)
Net cash (used in)/generated from financing activities		(3,915,299)	16,520,051
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,068,673)</b>	<b>4,260,040</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>5,863,861</b>	<b>1,603,821</b>
Translation difference		-	-
<b>Cash and cash equivalents at end of year</b>	27	<b>1,795,188</b>	<b>5,863,861</b>

The accompanying notes form part of these financial statements.

# **Hattha Kaksekar Limited**

## **Notes to the financial statements 31 December 2009**

### **1. Background and principal activities**

Hattha Kaksekar, a non-governmental organisation (“NGO”) established in November 1996, has created Hattha Kaksekar Limited (“HKL” or the “Company”) in order to comply with Prakas No. B-700-06 dated 11 January 2000, a regulation issued by the National Bank of Cambodia (“NBC”) on the licensing of micro-finance institutions. The creation of HKL converted the NGO’s micro-lending operations into a licensed and commercially oriented micro-finance institution (“the MFI”). HKL aims to carry out the NGO’s micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. The conversion was achieved by transferring and assigning all the assets and liabilities of the NGO as at 27 April 2001, the effective date of transfer, to HKL including all grant contracts and the outstanding receivables arising from these contracts as at the date of transfer, conditions and obligations relating to a bank loan, all employment contracts, conditions, obligations and benefits, leases on premises or houses for office branches or headquarters, and all other related to the micro-lending operations of the NGO. The transfer and assignment of all these were put into effect through an agreement to transfer assets and liabilities, and the subordinated loan agreement between the NGO and the MFI, both dated 27 April 2001.

On 27 April 2001, the Ministry of Commerce issued a business license dated 3 April 2001 to HKL to operate as a public limited company with the aim of providing credit and saving services for the lower segments of the market. On 19 October 2001, under license number 02, the NBC issued a license to HKL to conduct micro-finance operations for a three-year period which expired on 19 October 2004. On 12 July 2004, HKL obtained a new license for a three-year period which expired on 19 October 2007. The NBC granted an indefinite micro-finance license to the Company effective from 8 August 2007.

On 29 January 2010, the NBC issued a license to HKL to conduct the deposit taking business.

HKL operates in 16 branches located in Siem Reap, Banteay Meanchey, Kampong Thom, Kampong Cham, Kampong Chhnang, Pursat, Battambang, Takeo, Prey Veng, Kandal province and Phnom Penh, with the primary source of revenue being interest income earned on providing loans to clients.

As at 31 December 2009, the Company had 510 (2008:435) employees.

# **Hattha Kaksekar Limited**

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

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2010.

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

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

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

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

Transactions in currencies other than US\$ are translated to US\$ at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

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

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

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

# Hattha Kaksekar Limited

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

### 3. Significant accounting policies

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

#### (a) Segment information

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

#### (b) Basis of aggregation

The Company's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

#### (c) Financial instruments

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

#### (d) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### (e) Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general provisions for bad and doubtful loans.

The adequacy of the provision for bad and doubtful loans is evaluated monthly by the Company's 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 customers, the financial position of customers and the performance of loans in relation to contract terms.

# Hattha Kaksekar Limited

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

### 3. Significant accounting policies (continued)

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

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

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

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

In addition to the specific provision, an additional general provision for bad and doubtful loans is made at the rate of 1.5% of total loan outstanding (2008: 0.7% of total loan outstanding, net of the specific provision.)

Loans are written off to the income statement when the loans remain unpaid after 90 days for loans with maturities of one year or less and after 360 days for loans with maturities of more than one year. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans.

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

Recoveries on loans previously written off are recognised as other operating income.

#### (g) Deposits with banks

Deposits with banks are carried at cost.

# Hattha Kaksekar Limited

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

### 3. Significant accounting policies (continued)

#### (h) Other receivables

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

#### (i) Property and equipment

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

(ii) Depreciation of property and equipment is charged to the income statement on a declining basis at the following rates:

Motor vehicles	25%
Computer equipment	50%
Equipment	25%
Furniture and fixtures	20%

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

(vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

# Hattha Kaksekar Limited

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

### 3. Significant accounting policies (continued)

#### (j) Impairment

##### (i) Financial assets

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

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

All impairment losses are recognised in the income statement.

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

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

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

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

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

#### (k) Intangible assets

Intangible assets consist of computer software licenses and 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.

# Hattha Kaksekar Limited

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

### 3. Significant accounting policies (continued)

#### (l) Deposits from customers

Deposits from customers are stated at placement value.

#### (m) Borrowings

Borrowings are stated at cost.

#### (n) Provisions

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

#### (o) Retirement benefits

Provision for retirement benefits is conditional on the employees of HKL remaining in the service of HKL up to retirement age and the completion of a minimum service period as follows:

<i>Number of working years</i>	<i>Percentage (%) of December salary provided</i>
Up to 5 years	50
Up to 10 years	80
More than 10 years	100

This retirement benefits will be fully paid to the employees of HKL upon retirement age, or if they resign before retirement age, they will be entitled to the following portion of retirement benefits:

<i>Number of working years</i>	<i>Percentage (%) of total retirement benefits provided for the employee</i>
Less than 3 years	-
4 to less than 6 years	60
7 to less than 12 years	80
12 years and more	100

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

# **Hattha Kaksekar Limited**

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

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

#### **(p) Reserves**

In accordance with the Memorandum and Articles of Association, HKL has to transfer to this reserve fund 5% of its prior year's net income. Such transfer will cease when the reserve fund equals 10% of the registered share capital of the Company.

#### **(q) Related parties**

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

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

#### **(r) Grants**

Grants received to subsidise the Company'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 and equipment are amortised to the income statement on a systematic and rational basis over the useful life of the assets. The unamortised grants are shown as deferred grant income.

#### **(s) Operating leases**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

#### **(t) Interest income and expense recognition**

Interest income on loans is recognised on an accruals basis taking into consideration the principal amount of loans outstanding. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated on a monthly basis using the balances of the principal amount outstanding as at the previous month end.

Interest expenses on deposits from customers, borrowings and subordinated loans are recognised on an accrual basis.

# **Hattha Kaksekar Limited**

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

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

#### **(u) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity.

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

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

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

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

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

# Hattha Kaksekar Limited

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

### 5. Cash on hand

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Head office – Phnom Penh	12,349	51,483	16,849	68,761
Phnom Penh branches				
Phnom Penh	1,314	5,478	7,727	31,534
Dangkor	3,105	12,945	-	-
Russey Keo	4,020	16,759	-	-
Provincial branches				
Pursat	4,253	17,731	1,063	4,338
Kampong Thom				
- Steung Sen	2,443	10,185	9,190	37,504
- Staung	6,041	25,185	11,338	46,270
Siem Reap				
- Siem Reap	1,834	7,646	5,686	23,205
- Sort Nikum	352	1,467	-	-
Banteay Meanchey	7,236	30,167	9,470	38,647
Kampong Cham				
- Kampong Cham	4,417	18,414	5,063	20,662
- Tbong Khmum	2,727	11,369	-	-
Battambang	7,237	30,171	5,265	21,487
Kampong Chhnang	1,312	5,470	2,942	12,006
Takeo	224	934	-	-
Prey Veng	2,666	11,114	-	-
Kandal				
- Takhmao	1,886	7,863	-	-
	<u>63,416</u>	<u>264,381</u>	<u>74,593</u>	<u>304,414</u>

The above amounts are analysed by currency as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollar	47,781	199,199	55,648	227,100
Khmer Riel	11,484	47,877	15,003	61,227
Thai Baht	4,151	17,305	3,942	16,087
	<u>63,416</u>	<u>264,381</u>	<u>74,593</u>	<u>304,414</u>

# Hattha Kaksekar Limited

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

### 6. Deposits with banks

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Head office – Phnom Penh	922,576	3,846,219	3,888,843	15,870,368
Phnom Penh branches				
Phnom Penh	60,449	252,012	381,355	1,556,310
Dangkor	24,615	102,620	-	-
Russey Keo	57,204	238,484	-	-
Provincial branches				
Pursat	164,208	684,583	142,413	581,187
Kampong Thom				
- Steung Sen	48,663	202,876	12,063	49,229
- Staung	50,811	211,831	392,492	1,601,760
Siem Reap				
- Siem Reap	34,512	143,881	745,363	3,041,826
- Sort Nikum	40,446	168,619	-	-
Banteay Meanchey	26,610	110,937	17,156	70,014
Kampong Cham				
- Kampong Cham	45,905	191,378	90,748	370,343
- Tbong Khmum	57,182	238,392	-	-
Battambang	73,043	304,516	62,934	256,834
Kampong Chhnang	18,135	75,605	55,901	228,132
Takeo	21,239	88,545	-	-
Prey Veng	16,102	67,129	-	-
Kandal				
- Takhmao	70,072	292,130	-	-
	<u>1,731,772</u>	<u>7,219,757</u>	<u>5,789,268</u>	<u>23,626,003</u>

Deposits with banks are analysed as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(a) By maturity:</b>				
Within 1 month	<u>1,731,772</u>	<u>7,219,757</u>	<u>5,789,268</u>	<u>23,626,003</u>

# Hattha Kaksekar Limited

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

### 6. Deposits with banks (continued)

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(b) By currency:</b>				
US Dollar	1,655,867	6,903,309	5,117,222	20,883,383
Khmer Riel	70,410	293,539	658,698	2,688,147
Thai Baht	5,495	22,909	13,348	54,473
	<u>1,731,772</u>	<u>7,219,757</u>	<u>5,789,268</u>	<u>23,626,003</u>

#### (c) By type:

##### *Current accounts:*

Aceda Bank Plc.	3,706	15,450	101,356	413,634
Rural Development Bank	408	1,701	418	1,706
Cambodian Public Bank Limited	20	83	45	184

##### *Savings accounts:*

Aceda Bank Plc.	1,722,932	7,182,904	5,684,931	23,200,203
National Bank of Cambodia	2,131	8,884	882	3,599
Cambodian Public Bank Limited	2,038	8,496	96	392
Canadia Bank Plc.	537	2,239	1,540	6,285
	<u>1,731,772</u>	<u>7,219,757</u>	<u>5,789,268</u>	<u>23,626,003</u>

#### (d) By interest rate (per annum):

	2009	2008
<i>Current accounts:</i>		
	Nil	Nil
<i>Savings accounts:</i>		
Aceda Bank Plc.		
- Khmer Riel	0.25%	4%
- Thai Baht	-	4%
- US Dollar	0.10%	2%
National Bank of Cambodia	0.28%	2.02%
Cambodian Public Bank Limited	0.75%	1%
Canadia Bank Plc.	0.75%	0.75%

# Hattha Kaksekar Limited

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

### 7. Loans to customers

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Head office – Phnom Penh	117,440	489,607	102,059	416,503
Phnom Penh branches				
Phnom Penh	1,876,027	7,821,157	4,784,983	19,527,516
Dangkor	1,636,785	6,823,757	-	-
Russey Keo	978,415	4,079,012	-	-
Provincial branches				
Pursat	3,474,233	14,484,077	3,460,256	14,121,305
Kampong Thom				
- Steung Sen	3,102,198	12,933,063	2,824,753	11,527,817
- Staung	1,617,432	6,743,074	2,969,969	12,120,444
Siem Reap				
- Siem Reap	4,077,997	17,001,170	5,558,203	22,683,026
- Sort Nikum	711,389	2,965,781	-	-
Banteay Meanchey	4,410,930	18,389,167	4,062,273	16,578,136
Kampong Cham				
- Kampong Cham	2,189,420	9,127,692	2,942,754	12,009,379
- Tbong Khmum	1,372,926	5,723,728	-	-
Battambang	2,152,809	8,975,061	1,644,359	6,710,629
Kampong Chhnang	497,842	2,075,503	700,794	2,859,940
Takeo	795,268	3,315,472	-	-
Prey Veng	1,000,483	4,171,014	-	-
Kandal				
- Takhmao	1,168,880	4,873,061	-	-
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>
Provision for bad and doubtful loans				
- Specific provision	(409,222)	(1,706,047)	(24,903)	(101,629)
- General provision	(467,708)	(1,949,875)	(178,449)	(728,251)
	<u>(876,930)</u>	<u>(3,655,922)</u>	<u>(203,352)</u>	<u>(829,880)</u>
	<u><u>30,303,544</u></u>	<u><u>126,335,474</u></u>	<u><u>28,847,051</u></u>	<u><u>117,724,815</u></u>

# Hattha Kaksekar Limited

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

### 7. Loans to customers (continued)

Movements in provision for bad and doubtful loans during the year are as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	203,352	829,880	150,174	601,147
Provision during the year	1,149,389	4,791,803	68,353	278,949
Written off during the year	(475,811)	(1,983,656)	(15,175)	(61,929)
Translation difference	-	17,895	-	11,713
	<u>876,930</u>	<u>3,655,922</u>	<u>203,352</u>	<u>829,880</u>

Loans to customers are analysed as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(a) By maturity:</b>				
Within 1 month	591,232	2,464,846	168,023	685,702
2 to 3 months	1,072,312	4,470,469	771,061	3,146,700
4 to 12 months	14,424,248	60,134,690	15,531,935	63,385,827
More than 12 months	15,092,682	62,921,391	12,579,384	51,336,466
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>
<b>(b) By currency:</b>				
US Dollar	26,628,894	111,015,859	25,274,579	103,145,556
Khmer Riel	2,722,717	11,351,007	2,162,358	8,824,584
Thai Baht	1,828,863	7,624,530	1,613,466	6,584,555
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>

# Hattha Kaksekar Limited

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

### 7. Loans to customers (continued)

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(c) By economic sector:</b>				
Agriculture	12,678,269	52,855,703	7,748,337	31,620,963
Trade and commerce	8,492,418	35,404,891	9,583,787	39,111,435
Construction	4,136,974	17,247,045	796,890	3,252,108
Household/family	3,173,924	13,232,089	4,475,393	18,264,079
Transportation	1,313,762	5,477,074	1,381,253	5,636,894
Services	1,192,500	4,971,532	4,319,808	17,629,136
Other categories	192,627	803,062	744,935	3,040,080
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>
<b>(d) By residency status:</b>				
Residents	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>
<b>(e) By relationship:</b>				
External customers	30,831,422	128,536,198	28,822,118	117,623,064
Management and staff loans	349,052	1,455,198	228,285	931,631
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>
<b>(f) By performance:</b>				
Standard loans:				
Unsecured	30,229,192	126,025,501	28,881,804	117,866,642
Substandard loans:				
Unsecured	186,429	777,223	154,583	630,853
Doubtful loans:				
Unsecured	534,677	2,229,068	6,528	26,641
Losses:				
Unsecured	230,176	959,604	7,488	30,559
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>

# Hattha Kaksekar Limited

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

### 7. Loans to customers (continued)

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(g) By type of customers:</b>				
Individual	30,963,181	129,085,501	27,402,497	111,829,590
Group	217,293	905,895	1,647,906	6,725,105
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>
<b>(h) By type of loan products:</b>				
Micro loans	8,021,868	33,443,168	8,726,039	35,610,965
Small loans	11,163,524	46,540,731	9,232,460	37,677,669
Medium loans	10,999,809	45,858,204	11,091,904	45,266,061
Large loans	995,273	4,149,293	-	-
	<u>31,180,474</u>	<u>129,991,396</u>	<u>29,050,403</u>	<u>118,554,695</u>
<b>(i) By interest rate (per month):</b>				
		2009		2008
Micro loans (US\$50 - US\$1,000)		2.9%-3%		3%-4%
Small loans (US\$1,001 - US\$2,500)		2.5%-3%		2.5%
Medium loans (US\$2,501 - US\$10,000)		2%-2.5%		2%
Large loans (> US\$10,000)		1.5%-2.5%		2%

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

### 8. Other receivables

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest receivable	585,188	2,439,649	484,685	1,978,000
Interest in suspense	(109,250)	(455,463)	(11,887)	(48,511)
	<u>475,938</u>	<u>1,984,186</u>	<u>472,798</u>	<u>1,929,489</u>
Prepayments and deposits	55,010	229,337	45,400	185,277
Other receivables	20,484	85,397	45,829	187,028
	<u>551,432</u>	<u>2,298,920</u>	<u>564,027</u>	<u>2,301,794</u>

# Hattha Kaksekar Limited

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

### 9. Statutory deposits

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Statutory deposits on:				
Registered share capital	135,840	566,317	135,230	551,874
Customers' deposits	14,148	58,983	14,148	57,738
	<u>149,988</u>	<u>625,300</u>	<u>149,378</u>	<u>609,612</u>

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-00-006 and B7-06-209 on the Licensing of Micro-Finance Institutions, the amount of customers' deposits with the Company and the amount of which is determined by a defined percentage at the rate of 5% of the Company's registered share capital.

The statutory deposit on registered share capital is refundable when the Company voluntarily ceases its operations in Cambodia. The statutory deposit on customers' deposits fluctuates depending on the level of the customers' deposits.

The statutory deposit on registered capital placed with NBC in US\$ earns interest at the rate of 3/8 six-month SIBOR with the effective annual rate in 2009 ranging from 0.28% to 0.68% per annum (2008: 1.18% to 1.77%). The statutory deposit relating to customers' deposits does not earn interest.

On 29 January 2010, the Company obtained a license from the NBC to conduct the deposit taking business. In compliance with Prakas No. B7-07-163 on the licensing for accepting deposits from the public, the Company is required to maintain the statutory deposits equal to the amounts of which are determined by defined percentages at the rate of 10% of the Company's registered share capital and 8% of the customers' deposits with the Company.

# Hattha Kaksekar Limited

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

### 10. Property and equipment

	Motor vehicles US\$	Computer equipment US\$	Equipment US\$	Furniture and fixtures US\$	Total US\$	KHR'000
<b>Cost</b>						
Balance as at 1 January 2009	688,356	228,961	24,520	60,886	1,002,723	4,180,352
Additions	127,360	61,208	12,240	20,459	221,267	922,462
Disposals	(12,728)	(13,253)	(4,752)	(980)	(31,713)	(132,211)
Reclassifications/adjustment	-	(65,135)	80,569	(15,464)	(30)	(125)
At 31 December 2009	802,988	211,781	112,577	64,901	1,192,247	4,970,478
<b>Less: Accumulated depreciation</b>						
Balance as at 1 January 2009	242,295	154,159	16,049	25,579	438,082	1,826,363
Charge for the year	133,171	48,936	7,047	9,015	198,169	826,167
Disposals	(10,602)	(10,980)	(4,113)	(963)	(26,658)	(111,137)
Reclassifications	-	(52,009)	60,260	(8,251)	-	-
At 31 December 2009	364,864	140,106	79,243	25,380	609,593	2,541,393
<b>Net book value</b>						
At 31 December 2009	438,124	71,675	33,334	39,521	582,654	2,429,085
At 31 December 2008	446,061	74,802	8,471	35,307	564,641	

# Hattha Kaksekar Limited

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

### 11. Intangible assets

	Micro Banker License			
	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Cost</b>				
Balance at 1 January	46,000	187,726	28,000	112,084
Additions	-	-	18,000	73,458
Translation difference	-	4,048	-	2,184
Balance at 31 December	46,000	191,774	46,000	187,726
<b>Less: Accumulated amortisation</b>				
Balance at 1 January	27,781	113,374	13,829	55,358
Charge for the year	9,109	37,975	13,952	56,938
Translation difference	-	2,445	-	1,078
Balance at 31 December	36,890	153,794	27,781	113,374
<b>Net book value</b>				
Balance at 31 December	9,110	37,980	18,219	74,352

### 12. Taxation

#### (a) Deferred tax, net

The movement of deferred tax assets and liabilities is as follow:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deferred tax assets:				
Balance at beginning of year	60,965	248,798	13,721	54,925
Attributable to provisions for retirement benefits and bonus/ charged to income statement	8,556	35,670	47,244	192,803
Translation difference	-	5,365	-	1,070
Balance at end of year	69,521	289,833	60,965	248,798

# Hattha Kaksekar Limited

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

### 12. Taxation

#### (a) Deferred tax, net (continued)

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deferred tax liabilities:				
Balance at beginning of year	14,933	60,942	9,043	36,199
Attributable to property and equipment/charged to income statement	2,344	9,772	5,890	24,037
Translation difference	-	1,314	-	706
Balance at end of year	<u>17,277</u>	<u>72,028</u>	<u>14,933</u>	<u>60,942</u>
Deferred tax assets, net:				
Balance at beginning of year	46,032	187,856	4,678	18,726
Net deferred tax assets/ charged to income statement	6,212	25,898	41,354	168,766
Translation difference	-	4,051	-	364
Balance at end of year	<u>52,244</u>	<u>217,805</u>	<u>46,032</u>	<u>187,856</u>

#### (b) Provision for income tax

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	426,450	1,740,342	197,394	790,168
Income tax expense	332,697	1,387,014	513,555	2,095,818
Income tax paid	(489,553)	(2,040,946)	(284,499)	(1,161,040)
Translation difference	-	37,527	-	15,396
Balance at end of year	<u>269,594</u>	<u>1,123,937</u>	<u>426,450</u>	<u>1,740,342</u>

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

# Hattha Kaksekar Limited

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

### 12. Income tax (continued)

#### (c) Income tax expense

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	332,697	1,387,014	513,555	2,095,818
Deferred tax, net	(6,212)	(25,898)	(41,354)	(168,766)
	<u>326,485</u>	<u>1,361,116</u>	<u>472,201</u>	<u>1,927,052</u>

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

	2009			2008		
	US\$	KHR'000 (Note 4)	%	US\$	KHR'000 (Note 4)	%
Profit before income tax	<u>1,542,101</u>	<u>6,429,019</u>		<u>2,335,889</u>	<u>9,532,762</u>	
Income tax using statutory rate	308,420	1,285,803	20	467,178	1,906,553	20
Effect of:						
Non-deductible expenses	38,203	159,268	2.5	46,377	189,265	2
Temporary difference	(6,212)	(25,898)	(0.4)	(41,354)	(168,766)	(1.8)
Over provision in prior year	(13,926)	(58,057)	(0.9)	-	-	-
	<u>326,485</u>	<u>1,361,116</u>	21.2	<u>472,201</u>	<u>1,927,052</u>	20.2

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

### 13. Deposits from customers

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loan-linked savings	1,183,230	4,932,886	907,814	3,704,789
General savings	323,384	1,348,187	286,425	1,168,900
	<u>1,506,614</u>	<u>6,281,073</u>	<u>1,194,239</u>	<u>4,873,689</u>

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 13. Deposits from customers (continued)

The loan-linked savings is a compulsory saving deposit on loans disbursed as required by the Company and bears no interest. The loan-linked savings is to be refunded at the end of the loan cycle.

The general savings comprise voluntary savings deposits and term deposits and bears interest at rates ranging from 4% to 8% (2008: 4% to 8%) per annum for Khmer Riel and from 3% to 7% (2008: 3% to 7%) per annum for US dollar. The interest charge is accrued to individual customers' accounts on a monthly basis. Voluntary saving deposits can be withdrawn at anytime by the depositors.

The deposits from customers are analysed as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(a) By maturity:</b>				
Within 1 month	413,214	1,722,689	174,222	711,000
2 to 3 months	116,774	486,830	10,915	44,544
4 to 12 months	659,207	2,748,234	101,288	413,356
More than 12 months	317,419	1,323,320	907,814	3,704,789
	<u>1,506,614</u>	<u>6,281,073</u>	<u>1,194,239</u>	<u>4,873,689</u>
<b>(b) By currency:</b>				
US Dollar	1,231,602	5,134,549	1,016,059	4,146,536
Khmer Riel	178,511	744,212	103,095	420,731
Thai Baht	96,501	402,312	75,085	306,422
	<u>1,506,614</u>	<u>6,281,073</u>	<u>1,194,239</u>	<u>4,873,689</u>

# Hattha Kaksekar Limited

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

### 13. Deposits from customers (continued)

(c) By location:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Head office – Phnom Penh	105,919	441,576	167,306	682,776
Phnom Penh branches				
Phnom Penh	78,914	328,992	164,931	673,084
Dangkor	56,807	236,828	-	-
Russey Keo	50,179	209,196	-	-
Provincial branches				
Pursat	156,745	653,470	101,997	416,250
Kampong Thom				
- Steung Sen	193,386	806,226	151,606	618,704
- Staung	88,557	369,194	107,154	437,295
Siem Reap				
- Siem Reap	182,093	759,146	190,046	775,578
- Sort Nikum	24,039	100,219	-	-
Banteay Meanchey	261,073	1,088,413	187,682	765,930
Kampong Cham				
- Kampong Cham	69,671	290,458	65,598	267,705
- Tbong Khmum	55,532	231,513	-	-
Battambang	77,424	322,781	41,654	169,990
Kampong Chhnang	25,055	104,454	16,265	66,377
Takeo	17,967	74,905	-	-
Prey Veng	16,330	68,080	-	-
Kandal				
- Takhmao	46,923	195,622	-	-
	<u>1,506,614</u>	<u>6,281,073</u>	<u>1,194,239</u>	<u>4,873,689</u>

# Hattha Kaksekar Limited

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

### 14. Borrowings

		2009		2008	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Developing World					
Market	(i)	7,459,973	31,100,627	6,418,407	26,193,519
Alterfin	(ii)	2,725,000	11,360,525	3,650,000	14,895,650
Symbiotics	(iii)	2,000,000	8,338,000	2,350,000	9,590,350
Incofin	(iv)	2,000,000	8,338,000	3,000,000	12,243,000
BlueOrchard					
Finance S.A	(v)	1,000,000	4,169,000	1,750,000	7,141,750
Grameen Credit Agricole					
Microfinance					
Foundation	(vi)	500,000	2,084,500	-	-
KIVA Microfunds	(vii)	459,205	1,914,426	304,367	1,242,122
Nord-Sud Development	(viii)	300,000	1,250,700	300,000	1,224,300
OIKOS	(ix)	130,000	541,970	130,000	530,530
Global Microfinance					
Facility		-	-	1,500,000	6,121,500
MicroCredit					
Enterprises		-	-	450,000	1,836,450
Oxfam Novib		-	-	270,371	1,103,384
		<u>16,574,178</u>	<u>69,097,748</u>	<u>20,123,145</u>	<u>82,122,555</u>

The above borrowings are analysed as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>a) By maturity:</b>				
Within one year	3,984,205	16,610,151	2,845,371	11,611,959
2 to 5 years	12,589,973	52,487,597	17,225,774	70,298,384
Over 5 years	-	-	52,000	212,212
	<u>16,574,178</u>	<u>69,097,748</u>	<u>20,123,145</u>	<u>82,122,555</u>
<b>b) By currency:</b>				
US Dollar	15,614,205	65,095,621	18,934,367	77,271,152
Thai Baht	959,973	4,002,127	1,188,778	4,851,403
	<u>16,574,178</u>	<u>69,097,748</u>	<u>20,123,145</u>	<u>82,122,555</u>

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 14. Borrowings (continued)

#### (i) Developing World Market

On 9 August 2007, the Company entered into a loan agreement with Developing World Market (“DWM”) for US\$2,000,000 with a fixed interest rate of 8.90% per annum payable semi-annually in arrears. The loan is given for a period of five years maturing on 3 September 2012. The loan is unsecured and shall be repayable by a single payment on maturity.

On 31 March 2008, the Company entered into another loan agreement with DWM for US\$1,000,000 in Thai Baht and US\$1,500,000. The loan in Thai Baht is given for a period of 3 years and bears interest at the rate of 6.8% per annum plus 3 month BIBOR payable quarterly in arrears; the principal amount will be due for full payment on 30 April 2011. The loan in US dollar is given for a period of 5 years and bears interest at the rate of 8.9% per annum payable semi-annually in arrears; the principal amount will be repaid in two equal instalments on 3 March 2012 and on 3 September 2012 respectively. Both loans are unsecured.

On 5 November 2008, the Company entered into another loan agreement with DWM for US\$3,000,000 with a fixed interest rate of 8.80% per annum payable semi-annually in arrears. The loan is given for a period of 5 years maturing on 31 October 2013. The loan is unsecured and shall be repayable in three equal instalments beginning on 31 October 2012 and semi-annually thereafter until maturity.

#### (ii) Alterfin

On 25 June 2007, the Company renewed its existing loan of US\$450,000, that was entered into a loan agreement on 26 January 2006 with Alterfin, with interest at the rate of 4% per annum plus 12 months LIBOR, calculated on a monthly basis. The loan is given for a period of three years and will be repaid in two instalments, on 26 December 2009 and on 26 June 2010, respectively.

On 5 May 2008, the Company entered into a promissory note with Alterfin for US\$1,000,000 with interest at the rate of 8.60% per annum payable semi-annually in arrears. The loan is unsecured and is given for a period of 3 years maturing on 5 May 2011.

On 19 November 2008, the Company entered into another promissory note with Alterfin for US\$1,000,000 with interest at the rate of 9.50% per annum payable semi-annually in arrears. The loan is unsecured and is given for a period of 3 years maturing on 19 November 2011.

On 6 January 2009, the Company entered into another promissory note with Alterfin for US\$500,000 with interest at the rate of 9.25% per annum payable semi-annually in arrears. The loan is unsecured and is given for a period of 3 years maturing on 6 January 2012.

# **Hattha Kaksekar Limited**

## **Notes to the financial statements (continued)**

**31 December 2009**

### **14. Borrowings (continued)**

#### **(iii) Symbiotics**

On 28 July 2008, the Company entered into a promissory note with Symbiotics for US\$1,000,000 with interest at the rate of 8.50% per annum payable semi-annually in arrears. The loan is unsecured and is given for a period of 2 years maturing on 28 July 2010.

On 3 September 2008, the Company entered into another promissory note with Symbiotics for US\$1,000,000 with interest at the rate of 8.50% per annum payable semi-annually in arrears. The loan is unsecured and is given for a period of 2 years maturing on 3 September 2010.

#### **(iv) Incofin**

On 26 October 2007, the Company entered into a loan agreement with Incofin for US\$1,000,000 with interest at the rate of 9% per annum payable semi-annually in arrears. The loan is repayable in 5 years maturing on 25 October 2012 and is secured by the outstanding loans to customers.

On 21 October 2008, the Company entered into another loan agreement with Incofin for US\$2,000,000 with interest at the rate of 8.50% per annum payable quarterly in arrears. The loan is repayable in 3 years maturing on 23 October 2011 and is secured by outstanding loans to customers.

#### **(v) BlueOrchard Finance S.A**

On 30 June 2008, the Company entered into a promissory note with Blue Orchard Finance S.A for US\$1,000,000 maturing within 2 years. The loan bears interest at the rate of 8.47% per annum payable semi-annually in arrears. The loan is unsecured with the principal being repaid in full on 30 June 2010.

#### **(vi) Grameen Credit Agricole Microfinance Foundation**

On 5 March 2009, the Company entered into a loan agreement with Grameen Credit Agricole Microfinance Foundation for US\$2,000,000 with interest at the rate of 8.5% per annum payable semi-annually in arrears. The first drawdown must take place within three months following the signature date of the loan agreement. The second and final drawdowns are made within 12 months following the signature date of the loan agreement and subject to fulfilment of the conditions precedent stipulated in Article 3 of the loan agreement. The loan is unsecured and repayable in two instalments, on 15 October 2011 and 15 April 2012, respectively.

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 14. Borrowings (continued)

#### (vii) KIVA Microfunds

On 16 January 2008, the Company entered into a loan agreement with KIVA Microfunds (“KIVA”) for a loan with an interest rate of 0%. Loan is disbursed upon request from the Company through access to the Website maintained by KIVA and subject to a maximum of US\$150,000 per month. The loan is unsecured and the principal will be billed by KIVA on a monthly basis.

#### (viii) Nord-Sud Development

On 21 April 2008, the Company entered into a promissory note with Nord-Sud Development for US\$300,000 with interest at the rate of 2% per annum plus 12 months LIBOR, calculated on a monthly basis. The principal amount will be due for full repayment on 21 April 2010. The loan is unsecured.

#### (ix) OIKOS

On 30 April 2005, the Company entered into a debt bond with OIKOS for US\$130,000 with interest at the rate of 6% per annum payable annually in arrears. The loan is for a period of 11 years, with 5 years’ grace period on repayment of principal and therefore will mature on 30 March 2015. Repayment of principal and interest will be paid in five equal annual instalments starting from 30 March 2015. The loan is provided against a guarantee whereby DanChurchAid assumes primary responsibility until the loan has been fully repaid.

### 15. Other liabilities

	2009		2008	
	US\$	KHR’000 (Note 4)	US\$	KHR’000 (Note 4)
Interest payable	447,478	1,865,536	571,681	2,333,030
Retirement benefits	174,002	725,414	105,835	431,912
Provision for annual bonus *	158,031	658,831	198,989	812,074
Provision for Pchum Ben bonus	15,570	64,912	-	-
Other tax payable	69,143	288,257	88,134	359,675
Other payables	81,146	338,298	27,624	112,734
	<u>945,370</u>	<u>3,941,248</u>	<u>992,263</u>	<u>4,049,425</u>

# Hattha Kaksekar Limited

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

### 15. Other liabilities (continued)

The movements in provision for retirement benefits were as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	105,835	431,912	68,606	274,630
Charge during the year (Note 23)	71,450	297,875	38,820	158,424
Payment during the year	(3,283)	(13,687)	(1,591)	(6,493)
Translation difference	-	9,314	-	5,351
	<u>174,002</u>	<u>725,414</u>	<u>105,835</u>	<u>431,912</u>

\*: All regular staff are entitled to participate in the annual bonus. The annual bonus is paid in April every year, based on the staff performance (2008: calculated at 2.5 times of the monthly salary of staff by referring to the length of the service rendered during the year) with the maximum up to 13% of net profit for the year ended 31 December 2009 (2008: up to 13% of net profit).

### 16. Amounts due to shareholders

		2009		2008	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
OIKOCREDIT	(i)	2,939,129	12,253,229	2,364,952	9,651,369
ASN-Novib Fonds	(ii)	2,279,678	9,503,977	2,286,086	9,329,517
Norwegian Investment Fund for Developing Countries ("NORFUND")	(iii)	500,000	2,084,500	1,000,000	4,081,000
Catholic Organisation for Relief and Development Aid ("CORDAID")		-	-	80,000	326,480
		<u>5,718,807</u>	<u>23,841,706</u>	<u>5,731,038</u>	<u>23,388,366</u>

# Hattha Kaksekar Limited

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

### 16. Amounts due to shareholders (continued)

The amounts due to shareholders are analysed as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>a) By maturity:</b>				
Within one year	2,079,677	8,670,173	558,514	2,279,296
2 to 5 years	3,639,130	15,171,533	5,172,524	21,109,070
	<u>5,718,807</u>	<u>23,841,706</u>	<u>5,731,038</u>	<u>23,388,366</u>
<b>b) By currency:</b>				
US Dollar	3,867,284	16,122,706	4,447,284	18,149,366
Khmer Riel	1,851,523	7,719,000	1,283,754	5,239,000
	<u>5,718,807</u>	<u>23,841,706</u>	<u>5,731,038</u>	<u>23,388,366</u>

#### (i) OIKOCREDIT

On 25 January 2008, the Company entered into a loan agreement with Oikocredit for US\$2,500,000 with interest at the rate of 10.47% (inclusive of withholding tax) per annum payable semi-annually. The principal of the loan will be repaid in seven equal semi-annual payments of US\$357,143 each; the first payment shall be made 24 months after the first disbursement and every six months thereafter. The loan is secured by a promissory note from the Company to Oikocredit covering 100% of the total outstanding loan amount and interest outstanding.

On 6 June 2008, the Company entered into a subscription agreement with Oikocredit for converting US\$1,115,200 of the loan outstanding to 5,440 shares at the price of US\$205 per share.

On 17 July 2008, the Company entered into another loan agreement with Oikocredit for KHR4,000,000,000 with interest at the rate of 12.79% (inclusive of withholding tax) per annum payable semi-annually for the first year to be adjusted annually based on 1 Year Euribor at the beginning of the invoicing period + country risk + annual ADB projected inflation +2.25% for the remaining period of the loan. The principal of the loans will be repaid in five equal semi-annual payments of KHR800,000,000 each; the first payment shall be made 12 months after the first disbursement and every six months thereafter. The loan is secured by a promissory note from the Company to Oikocredit covering 100% of the total outstanding loan amount and interest outstanding and by a guarantee from the High Outreach Guarantee fund for 30% of the loan outstanding.

# Hattha Kaksekar Limited

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

### 16. Amounts due to shareholders (continued)

#### (i) OIKOCREDIT (continued)

On 17 December 2009, the Company entered into another loan agreement with Oikocredit for KHR6,150,000,000 with interest at the rate of 13.93% (inclusive of withholding tax) per annum payable semi-annually for the first year to be adjusted annually based on 1 Year Euribor at the beginning of the invoicing period + annual ADB projected inflation +3.75% for the remaining period of the loan. The principal of the loans will be repaid in five equal semi-annual payments of KHR1,230,000,000 each; the first payment shall be made 12 months after the first disbursement and every six months thereafter. The loan is secured by a 30% High Outreach Guarantee Fund and a promissory note from the Company to Oikocredit covering 100% of the total outstanding loan amount and interest outstanding.

#### (ii) ASN-Novib Fonds

On 25 June 2007, the Company entered into a loan agreement with ASN-Novib Fonds for US\$1,000,000 with interest at the rate of 9% per annum payable semi-annually in arrears. The loan is given for a period of 3 years to finance the expansion of the Company's loan portfolio and for on-lending activities to micro and small entrepreneurs. The principal amount will be due for full repayment on 30 June 2010. The loan is secured by the assignment of 125% of the total outstanding amount of the loan portfolio in favour of the lender.

On 24 December 2007, the Company entered into another loan agreement with ASN-Novib Fonds for US\$800,000 in Khmer Riel and US\$300,000. The loan in Khmer Riel bears interest at the rate of 11% per annum and the US dollar loan bears interest at the rate of 8% per annum, both payable on a semi-annual basis in arrears. The loans were originally given for a period of 2 years maturing on 31 December 2009 and extended to 31 May 2010.

On 6 June 2008, the Company entered into a subscription agreement with ASN-Novib Fonds for converting US\$787,815 of the loan outstanding to 3,843 shares at the price of US\$205 per share.

On 23 December 2008, the Company entered into another loan agreement with ASN-Novib Fonds for US\$300,000 in Khmer Riel and US\$700,000. The loan in Khmer Riel bears interest at the rate of 12% per annum and the US dollar loan bears interest at the rate of 9% per annum, both payable on a semi-annual basis in arrears. The US dollar loan was given for a period of 3 years maturing on 31 December 2011 and the loan in Khmer Riel was given for a period of 1 year maturing on 31 December 2009 and extended to 31 December 2011. The loans are unsecured.

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 16. Amounts due to shareholders (continued)

#### (iii) Norwegian Investment Fund for Developing Countries

On 26 September 2007, the Company entered into a loan agreement with the Norwegian Investment Fund for Developing Countries (“NORFUND”) for US\$1,000,000 with interest at the rate of 9% per annum payable semi-annually in arrears. The loan is given for a period of 3 years to finance the expansion of the Company’s loan portfolio and for on-lending activities to micro and small entrepreneurs. The principal amount will be due for full repayment on 30 October 2010. The loan is secured by the assignment of 125% of the total outstanding amount of the loan portfolio in favour of the lender.

On 6 June 2008, the Company entered into a subscription agreement with NORFUND for converting US\$787,815 of the loan outstanding to 3,843 shares at the price of US\$205 per share.

### 17. Deferred grant income

Deferred grant income from Agence Francaise de Development (“AFD”) is as follows:

	2009		2008	
	US\$	KHR’000 (Note 4)	US\$	KHR’000 (Note 4)
Balance at beginning of year	60,184	245,611	120,227	481,269
Amortisation of grant income during the year (Note 25)	(17,992)	(75,009)	(60,043)	(245,035)
Translation difference	-	5,297	-	9,377
Balance at end of year	<u>42,192</u>	<u>175,899</u>	<u>60,184</u>	<u>245,611</u>

### 18. Share capital

	2009		2008	
	US\$	KHR’000 (Note 4)	US\$	KHR’000 (Note 4)
Registered, issued and paid up 27,168 (2008: 27,168) ordinary shares of US\$100 each	<u>2,716,800</u>	<u>11,326,339</u>	<u>2,716,800</u>	<u>11,087,261</u>

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 18. Share capital (continued)

Shareholders	2009		2008	
	% of ownership	Number of shares	% of ownership	Number of shares
HKNGO	20.015%	5,439	20.015%	5,439
OIKOCREDIT	20.015%	5,440	20.015%	5,440
SIDI	15.00%	4,075	15.00%	4,075
ASN-Novib Fonds	14.15%	3,843	14.15%	3,843
NORFUND	14.15%	3,843	14.15%	3,843
CORDAID	6.95%	1,887	6.95%	1,887
HKSA	7.68%	2,086	7.68%	2,086
Mr. Dy Davuth	2.04%	555	2.04%	555
	100%	27,168	100%	27,168
	100%	27,168	100%	27,168

During the Board of Directors meeting on 1-2 April 2009, the Board of Directors declared a cash dividend amounting to US\$354,101 which is equivalent to 20% of the 2008 audited net profit after the transfer of US\$93,184 (equivalent to 5% of the 2008 net profit) to legal reserves in the equity.

### 19. Subordinated loans

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Hattha Kaksekar Non-Government Organisation ("HKNGO") (a)	415,743	1,733,233	415,743	1,696,647
Ministry of Economy and Finance - Agence Francaise de Development ("AFD") (b)	313,576	1,307,298	313,576	1,279,704
	729,319	3,040,531	729,319	2,976,351
	729,319	3,040,531	729,319	2,976,351

- (a) Hattha Kaksekar Non-Government Organisation ("HKNGO") has made the above loan to HKL, following the transfer and assignment of all micro-finance related assets, liabilities and operations of the NGO to the HKL with the terms and conditions of the subordinated loan agreement dated 27 April 2001 as follows:

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 19. Subordinated loans (continued)

- i) The subordinated debt will not be repayable to HKNGO unless HKL ceases to provide credit to the rural population of Cambodia or unless it decides to repay all or part of the loan;
- ii) The loan is a non-distributable fund; and
- iii) Being a public grant, it will be considered as “Tier II Capital” in the context of Article 15 of Prakas No. B700-006 issued by the NBC, and shall be included in computing HKL’s capital adequacy ratio.

HKL shall pay interest to HKNGO the annual rate of 1% of the subordinated loan on a pro-rata basis. Furthermore, the agreement provides that if the HKNGO divests its investment in HKL should a shareholder purchase a part or all of the shares of HKL, the proceeds will be added to the subordinated loan and transferred to HKL.

- (b) HKL also accepts liability for repaying the total value of the loan to the Ministry of Economy and Finance of the Royal Government of Cambodia (“RGC”) under the terms and conditions of the subordinated loan agreement dated 27 December 2000, most notably, that the loan will not be repayable to the RGC unless HKL ceases to provide credit to the rural population of Cambodia or unless it decides to repay all or part of the loan. HKL shall pay to RGC, through the Rural Development Bank, interest at an annual rate of 0.5%.

### 20. Interest income

	2009		2008	
	US\$	KHR’000 (Note 4)	US\$	KHR’000 (Note 4)
Loans to customers	7,984,219	33,286,209	6,689,850	27,301,278
Deposits with banks	212,404	885,512	27,450	112,023
	<u>8,196,623</u>	<u>34,171,721</u>	<u>6,717,300</u>	<u>27,413,301</u>

### 21. Interest expenses

	2009		2008	
	US\$	KHR’000 (Note 4)	US\$	KHR’000 (Note 4)
Borrowings	2,458,915	10,251,217	1,969,897	8,039,150
Deposits from customers	12,352	51,495	9,568	39,047
	<u>2,471,267</u>	<u>10,302,712</u>	<u>1,979,465</u>	<u>8,078,197</u>

# Hattha Kaksekar Limited

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

### 22. Other operating income

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Recoveries on loans previously written off	32,894	137,135	21,319	87,003
Foreign exchange gain - net	19,738	82,288	17,007	69,406
Remittance fees	10,667	44,471	4,620	18,854
Commission fees	10,867	45,305	-	-
Gain on disposal of property and equipment	667	2,781	-	-
Other interest and penalty income	245,470	1,023,364	71,133	290,294
Other income	19,312	80,511	5,065	20,670
	<u>339,615</u>	<u>1,415,855</u>	<u>119,144</u>	<u>486,227</u>

### 23. Salaries and staff benefits

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	1,622,175	6,762,848	989,088	4,036,469
Bonus	228,643	953,213	239,537	977,550
Retirement benefits (Note 15)	71,450	297,875	38,820	158,424
Performance incentive	50,110	208,908	9,616	39,243
Board of Directors meeting allowances	45,789	190,894	28,946	118,129
Training costs	40,028	166,877	37,751	154,062
Perdiem and allowances	38,531	160,636	40,866	166,774
Medical benefits	9,623	40,118	9,275	37,851
Other staff benefits	107,799	449,414	59,470	242,697
	<u>2,214,148</u>	<u>9,230,783</u>	<u>1,453,369</u>	<u>5,931,199</u>

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 24. General and administrative expenses

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Rental	210,366	877,016	152,651	622,969
Depreciation and amortisation	207,278	864,142	198,953	811,927
Travelling & vehicle expenses	180,785	753,692	162,280	662,265
Consultancy and professional fees	103,244	430,424	46,694	190,559
Office supplies	95,680	398,890	116,006	473,420
Communication	94,390	393,512	72,187	294,595
Marketing and advertising	79,885	333,041	66,699	272,199
Utilities	51,613	215,175	43,158	176,128
Bank charges	39,985	166,697	34,223	139,664
Repairs and maintenance	22,892	95,437	21,346	87,113
Security expenses	17,916	74,692	17,977	73,364
Penalty fees on borrowings	15,266	63,644	-	-
Processing fees on borrowings	10,000	41,690	102,321	417,572
License fee	7,082	29,525	12,895	52,624
Others	40,943	170,691	18,409	75,127
	<u>1,177,325</u>	<u>4,908,268</u>	<u>1,065,799</u>	<u>4,349,526</u>

### 25. Grant income

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Amortisation of grant income from AFD (Note 17)	17,992	75,009	60,043	245,035
Asian Development Bank	-	-	6,388	26,070
	<u>17,992</u>	<u>75,009</u>	<u>66,431</u>	<u>271,105</u>

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 26. Net cash used in operating activities

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	1,542,101	6,429,019	2,335,889	9,532,762
Adjustments for:				
Depreciation and amortisation	207,278	864,142	198,953	811,927
Provision for bad and doubtful loans	1,149,389	4,791,803	68,353	278,949
(Gain)/loss on disposal of property and equipment	(667)	(2,781)	4,719	19,258
Property and equipment adjustment	30	125	(512)	(2,089)
	<u>2,898,131</u>	<u>12,082,308</u>	<u>2,607,402</u>	<u>10,640,807</u>
(Increase)/decrease in operating assets:				
Loans to customers	(2,605,882)	(10,863,922)	(14,900,242)	(60,807,887)
Other receivables	12,595	52,509	(280,622)	(1,145,218)
Statutory deposits	(610)	(2,543)	(109,647)	(447,469)
Increase/(decrease) in operating liabilities:				
Deposits from customers	312,375	1,302,291	535,619	2,185,861
Other liabilities	(46,893)	(195,497)	620,913	2,533,946
Deferred grant income	(17,992)	(75,009)	(60,043)	(245,036)
	<u>551,724</u>	<u>2,300,137</u>	<u>(11,586,620)</u>	<u>(47,284,996)</u>
Income tax paid	<u>(489,553)</u>	<u>(2,040,946)</u>	<u>(284,499)</u>	<u>(1,161,040)</u>
Net cash generated from/ (used in) operating activities	<u>62,171</u>	<u>259,191</u>	<u>(11,871,119)</u>	<u>(48,446,036)</u>

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 27. Cash and cash equivalents

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	63,416	264,381	74,593	304,414
Deposits with banks	1,731,772	7,219,757	5,789,268	23,626,003
	<u>1,795,188</u>	<u>7,484,138</u>	<u>5,863,861</u>	<u>23,930,417</u>

### 28. Related party transactions

The Company entered into significant transactions with its shareholders and related parties during the year as follows:

#### (a) Compensation

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Board of Directors</i>				
Fee and related expenses	45,789	190,894	28,946	118,129
<i>Key management</i>				
Salaries and short-term benefits	351,494	1,465,378	185,745	758,025

#### (b) Loans to management and staff

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	228,285	931,631	153,083	612,791
Loans advanced	438,685	1,828,878	173,104	706,437
Loan payments received	(317,918)	(1,325,400)	(97,902)	(399,538)
Translation difference	-	20,089	-	11,941
Balance at end of year	<u>349,052</u>	<u>1,455,198</u>	<u>228,285</u>	<u>931,631</u>

Loans are provided to management and staff of the Company over a two year period with the interest rates ranging between 10% to 15.6% per annum.

# Hattha Kaksekar Limited

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

### 28. Related party transactions (continued)

#### (c) Deposits from management and staff

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	104,074	424,726	93,525	374,381
Deposits during the year	210,728	878,525	37,510	153,078
Withdrawals during the year	(159,670)	(665,664)	(26,961)	(110,028)
Translation difference	-	9,159	-	7,295
	<u>155,132</u>	<u>646,746</u>	<u>104,074</u>	<u>424,726</u>

Interest rates per annum of deposits from management and staff of the Company are as follows:

	2009	2008
Voluntary savings deposits	3%-4%	3%-4%
Term deposit		
- 3 months	6%-7%	6%-7%
- 6 months	7%-9%	7%-9%
- 12 months	9%-11%	9%-11%

# Hattha Kaksekar Limited

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

### 28. Related party transactions (continued)

#### (d) Transactions with shareholders:

Principal received, principal repayments and interest expense charged are as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>HKNGO</b>				
Interest expense	4,157	17,331	4,157	16,965
<b>CORDAID</b>				
Principal repayments	80,000	333,520	110,847	452,367
Interest expense	3,600	15,008	9,086	37,080
<b>SIDI</b>				
Principal received	-	-	12,255	50,013
Principal repayments	-	-	52,255	213,252
Interest expense	-	-	5,311	21,674
<b>ASN-Novib Fonds</b>				
Principal received	-	-	973,901	3,974,490
Interest expense	233,451	973,257	101,825	415,548
<b>NORFUND</b>				
Principal received	-	-	787,815	3,215,073
Principal repayments	500,000	2,084,500	-	-
Interest expense	68,544	285,760	70,178	286,396
<b>OIKOCREDIT</b>				
Principal received	786,759	3,279,998	3,480,152	14,202,500
Principal repayments	212,582	886,254	-	-
Interest expense	204,869	854,099	153,970	628,352
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 29. Commitments and contingencies

#### (a) Lease commitments

The Company has lease commitments in respect of the lease of the Company's registered office in Phnom Penh and branches in Pursat, Kampong Thom, Siem Reap, Banteay Meanchey, Kampong Cham, Kampong Chhnang, Battambang, Takeo, Prey Veng, Kandal province and Phnom Penh. The total remaining rental commitments are due as follows:

	2009		2008	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	201,251	839,015	180,515	736,682
From two to five years	365,649	1,524,391	359,916	1,468,817
Over five years	-	-	610	2,489
	<u>566,900</u>	<u>2,363,406</u>	<u>541,041</u>	<u>2,207,988</u>

#### (b) Taxation contingencies

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

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

### 30. Financial risk management

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

#### (a) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 30. Financial risk management (continued)

#### (a) Operational risk (continued)

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

#### (b) Credit risk

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

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Company's credit manual to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit manual documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC guidelines.

#### (c) Market risk

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

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

#### (i) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Khmer Riel and Thai Baht. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Management does not enter into any currency hedging transaction since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

# Hattha Kaksekar Limited

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

### 30. Financial risk management (continued)

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

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

#### Concentration of currency risk

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

	US\$	——(US\$ equivalent)——		Total
		THB	KHR	
<b>31 December 2009</b>				
<b>Assets</b>				
Cash on hand	47,781	4,151	11,484	63,416
Deposits with banks	1,655,867	5,495	70,410	1,731,772
Loans to customers	25,792,640	1,819,856	2,691,048	30,303,544
Other receivables	462,887	33,471	55,074	551,432
Statutory deposits	149,988	-	-	149,988
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	28,109,163	1,862,973	2,828,016	32,800,152
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>				
Deposits from customers	1,231,602	96,501	178,511	1,506,614
Borrowings	15,614,205	959,973	-	16,574,178
Other liabilities	838,950	16,752	89,668	945,370
Amounts due to shareholders	3,867,284	-	1,851,523	5,718,807
Provision for income tax	-	-	269,594	269,594
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	21,552,041	1,073,226	2,389,296	25,014,563
	<hr/>	<hr/>	<hr/>	<hr/>
Net asset position	6,557,122	789,747	438,720	7,785,589
	<hr/>	<hr/>	<hr/>	<hr/>
	US\$	——(US\$ equivalent)——		Total
		THB	KHR	
<b>31 December 2008</b>				
Total assets	30,582,635	1,660,210	3,181,472	35,424,317
Total liabilities	25,741,559	1,297,669	1,427,907	28,467,135
	<hr/>	<hr/>	<hr/>	<hr/>
Net asset position	4,841,076	362,541	1,753,565	6,957,182
	<hr/>	<hr/>	<hr/>	<hr/>

# Hattha Kaksekar Limited

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

### 30. Financial risk management (continued)

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

##### (ii) Interest rate risk

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

Although the interest rates are subject to changes with the market rates, the Company does not use any derivative financial instrument to hedge the risk.

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

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

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

The change of 150 basis points (“bp”) in interest rates at the reporting date would have increased (decreased) equity and income statement by the amounts shown below. This analysis assumes that all other variables remain the same. The analysis is performed on the same basis for 2008.

	Income statement	
	150 bp increase US\$	150 bp decrease US\$
<b>31 December 2009</b>		
Variable rate instruments	(455,895)	455,895
Cash flow sensitivity	(455,895)	455,895
<b>31 December 2008</b>		
Variable rate instruments	(427,284)	427,284
Cash flow sensitivity	(427,284)	427,284

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

# Hattha Kaksekar Limited

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

### 30. Financial risk management (continued)

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

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

2009	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
<b>Assets</b>								
Cash on hand	-	-	-	-	-	63,416	63,416	-
Deposits with banks	1,727,638	-	-	-	-	4,134	1,731,772	0.43%
Loans to customers								
- Performing	160,653	893,399	14,092,391	15,082,749	-	-	30,229,192	2.50%
- Non performing	430,579	178,913	331,857	9,933	-	-	951,282	2.50%
- Specific provision	-	-	-	-	-	(409,222)	(409,222)	-
- General provision	-	-	-	-	-	(467,708)	(467,708)	-
Other receivables	-	-	-	-	-	551,432	551,432	-
Statutory deposits	-	-	-	-	135,840	14,148	149,988	0.48%
Deferred tax assets	-	-	-	-	-	52,244	52,244	-
<b>Total assets</b>	<b>2,318,870</b>	<b>1,072,312</b>	<b>14,424,248</b>	<b>15,092,682</b>	<b>135,840</b>	<b>(191,556)</b>	<b>32,852,396</b>	
<b>Liabilities</b>								
Deposits from customers	413,214	116,774	659,207	317,419	-	-	1,506,614	6.71%
Borrowings	-	459,205	3,525,000	12,589,973	-	-	16,574,178	8.5
Other liabilities	-	-	-	-	-	945,370	945,370	-
Amounts due to shareholders	-	-	2,079,677	3,639,130	-	-	5,718,807	9.61%
Deferred grant income	-	-	-	-	-	42,192	42,192	-
Provision for income tax	-	-	-	-	-	269,594	269,594	-
<b>Total liabilities</b>	<b>413,214</b>	<b>575,979</b>	<b>6,263,884</b>	<b>16,546,522</b>	<b>-</b>	<b>1,257,156</b>	<b>25,056,755</b>	
<b>Maturity gap</b>	<b>1,905,656</b>	<b>496,333</b>	<b>8,160,364</b>	<b>(1,453,840)</b>	<b>135,840</b>	<b>(1,448,712)</b>	<b>7,795,641</b>	

# Hattha Kaksekar Limited

## Notes to the financial statements (continued)

31 December 2009

### 30. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

2008	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
<b>Assets</b>								
Cash on hand	-	-	-	-	-	74,593	74,593	-
Deposits with banks	5,687,449	-	-	-	-	101,819	5,789,268	2.00%
Loans to customers								
- Performing	148,730	746,341	15,425,216	12,561,517	-	-	28,881,804	29.00%
- Non performing	19,293	24,720	106,719	17,867	-	-	168,599	29.00%
- Specific provision	-	-	-	-	-	(24,903)	(24,903)	-
- General provision	-	-	-	-	-	(178,449)	(178,449)	-
Other receivables	-	-	-	-	-	564,027	564,027	-
Statutory deposits	-	-	-	-	135,230	14,148	149,378	1.48%
Deferred tax assets	-	-	-	-	-	46,032	46,032	-
<b>Total assets</b>	<b>5,855,472</b>	<b>771,061</b>	<b>15,531,935</b>	<b>12,579,384</b>	<b>135,230</b>	<b>597,267</b>	<b>35,470,349</b>	
<b>Liabilities</b>								
Deposits from customers	174,222	10,915	101,288	907,814	-	-	1,194,239	6.71%
Borrowings	-	-	2,845,371	17,225,774	52,000	-	20,123,145	9.69%
Other liabilities	-	-	-	-	-	992,263	992,263	-
Amounts due to shareholders	-	-	558,514	5,172,524	-	-	5,731,038	8.75%
Deferred grant income	-	-	-	-	-	60,184	60,184	-
Provision for income tax	-	-	-	-	-	426,450	426,450	-
<b>Total liabilities</b>	<b>174,222</b>	<b>10,915</b>	<b>3,505,173</b>	<b>23,306,112</b>	<b>52,000</b>	<b>1,478,897</b>	<b>28,527,319</b>	
<b>Maturity gap</b>	<b>5,681,250</b>	<b>760,146</b>	<b>12,026,762</b>	<b>(10,726,728)</b>	<b>83,230</b>	<b>(881,630)</b>	<b>6,943,030</b>	

# **Hattha Kaksekar Limited**

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

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

#### **(d) Liquidity risk**

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

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

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

# Hattha Kaksekar Limited

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

### 30. Financial risk management (continued)

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

The maturities of financial assets and liabilities as at 31 December 2009 are as follows:

2009	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
<b>Assets</b>							
Cash on hand	63,416	-	-	-	-	-	63,416
Deposits with banks	1,731,772	-	-	-	-	-	1,731,772
Loans to customers							
- Performing	160,653	893,399	14,092,391	15,082,749	-	-	30,229,192
- Non performing	430,579	178,913	331,857	9,933	-	-	951,282
- Specific provision	-	-	-	-	-	(409,222)	(409,222)
- General provision	-	-	-	-	-	(467,708)	(467,708)
Other receivables	-	-	-	-	-	551,432	551,432
Statutory deposits	-	-	-	-	-	149,988	149,988
Deferred tax assets	-	-	-	-	-	52,244	52,244
<b>Total assets</b>	<b>2,386,420</b>	<b>1,072,312</b>	<b>14,424,248</b>	<b>15,092,682</b>	<b>-</b>	<b>(123,266)</b>	<b>32,852,396</b>
<b>Liabilities</b>							
Deposits from customers	413,214	116,774	659,207	317,419	-	-	1,506,614
Borrowings	-	459,205	3,525,000	12,589,973	-	-	16,574,178
Other liabilities	67,089	-	688,044	-	-	190,237	945,370
Amounts due to shareholders	-	-	2,079,677	3,639,130	-	-	5,718,807
Deferred grant income	-	-	-	-	-	42,192	42,192
Provision for income tax	-	269,594	-	-	-	-	269,594
<b>Total liabilities</b>	<b>480,303</b>	<b>845,573</b>	<b>6,951,928</b>	<b>16,546,522</b>	<b>-</b>	<b>232,429</b>	<b>25,056,755</b>
<b>Maturity gap</b>	<b>1,906,117</b>	<b>226,739</b>	<b>7,472,320</b>	<b>(1,453,840)</b>	<b>-</b>	<b>(355,695)</b>	<b>7,795,641</b>

# Hattha Kaksekar Limited

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

### 30. Financial risk management (continued)

(d) Liquidity risk (continued)

2008	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
<b>Assets</b>							
Cash on hand	74,593	-	-	-	-	-	74,593
Deposits with banks	5,789,268	-	-	-	-	-	5,789,268
Loans to customers							
- Performing	148,730	746,341	15,425,216	12,561,517	-	-	28,881,804
- Non performing	19,293	24,720	106,719	17,867	-	-	168,599
- Specific provision	-	-	-	-	-	(24,903)	(24,903)
- General provision	-	-	-	-	-	(178,449)	(178,449)
Other receivables	-	-	-	-	-	564,027	564,027
Statutory deposits	-	-	-	-	-	149,378	149,378
Deferred tax assets	-	-	-	-	-	46,032	46,032
Total assets	6,031,884	771,061	15,531,935	12,579,384	-	556,085	35,470,349
<b>Liabilities</b>							
Deposits from customers	174,222	10,915	101,288	907,814	-	-	1,194,239
Borrowings	-	-	2,845,371	17,225,774	52,000	-	20,123,145
Other liabilities	79,260	-	790,937	-	-	122,066	992,263
Amounts due to shareholders	-	-	558,514	5,172,524	-	-	5,731,038
Deferred grant income	-	-	-	-	-	60,184	60,184
Provision for income tax	-	426,450	-	-	-	-	426,450
Total liabilities	253,482	437,365	4,296,110	23,306,112	52,000	182,250	28,527,319
<b>Maturity gap</b>	5,778,402	333,696	11,235,825	(10,726,728)	(52,000)	373,835	6,943,030

# Hattha Kaksekar Limited

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

### 31. Fair value of financial assets and liabilities

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

### 32. Comparative figures

The following comparative figures have been restated to conform with the current year's presentation.

	2008	
	As restated US\$	As previously presented US\$
<b>Balance sheet</b>		
Assets:		
Other receivables	564,027	575,914
Liabilities:		
Other liabilities	992,263	1,004,150
	<u>                    </u>	<u>                    </u>