

SATHAPANA LIMITED

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

SATHAPANA LIMITED

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

CONTENTS

	PAGES
Directors' report	1 - 4
Independent auditor's report	5 - 6
Balance sheet	7
Income statement	8
Statement of changes in equity	9
Statement of cash flow	10
Notes to the financial statements	11 - 48
APPENDIX: Notes on compliance with the Central Bank's Prakas *	i - viii

* The Appendix does not form part of the audited financial statements.

DIRECTORS' REPORT

The Board of Directors ("the Directors") hereby submits its report together with the audited financial statements of Sathapana Limited ("the Company") for the year ended 31 December 2009.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide microfinance services to poor entrepreneurs, especially women in urban and rural areas of Cambodia through its head office in Phnom Penh and its various provincial and district offices in the Kingdom of Cambodia. The National Bank of Cambodia ("NBC" or "Central Bank") granted an indefinite-life microfinance licence to the Company effective from 19 April 2006.

On 22 January 2009, the Company received a licence from the NBC to conduct a deposit-taking business.

FINANCIAL PERFORMANCE AND DIVIDENDS

The financial performance for the year ended 31 December 2009 is set out in the income statement on page 8.

On 22 April 2009, dividends amounting to US\$497,010 were declared and paid in respect of the Company's net profit for the year ended 31 December 2008 (2008: US\$291,007 for 2007 net profit).

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the 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 bad and 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 Directors are not aware of any circumstances which would render the amount written off for bad loans or the amount of allowance for doubtful loans in the financial statements of the Company inadequate to any material extent.

ASSETS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ensure that any assets which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no 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; and
- (b) no contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS

At the date of this report, no significant events have occurred after the balance sheet date which would require adjustments or disclosure other than as disclosed in the financial statements.

THE BOARD OF DIRECTORS

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

- Mr. Hun Monivann, Chairman
- Dr. Bun Mony, Chief Executive Officer (executive)
- Mr. Var Muth, Director (executive)
- Mr. Brad Swanson, Director (non-executive), appointed on 16 July 2009
- Mr. Eelco Baan, Director (non-executive)
- Mr. Michael Th. Moormann, Director (non-executive)
- Mr. Davis Golding, Director (non-executive), resigned on 16 July 2009
- Dr. Phai Touch, Director (non-executive), resigned on 24 March 2009

DIRECTORS' INTERESTS

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

Directors	2009		2008	
	Holding %	Number of shares of US\$10 each	Holding %	Number of shares of US\$10 each
Dr. Bun Mony	1.40%	4,259	1.30%	3,939
Mr. Var Muth	0.45%	1,379	0.45%	1,379

DIRECTORS' BENEFITS

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

No Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or with a firm of which the Director is a member, or with a company in which the director has a material financial interest other than as disclosed in the financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to present fairly the financial position of the Company as at 31 December 2009, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies, which are supported by reasonable and prudent judgements and estimates, and then apply them consistently;
- (ii) comply with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there have been any departures in the interest of true and fair presentation, ensure 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 the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

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

On behalf of the Board of Directors

Mr. Hun Monivann
Chairman

Date: 07 April 2010

Independent auditor's report

To the Shareholders of Sathapana Limited

We have audited the accompanying financial statements of Sathapana Limited ("the Company"), which comprise the balance sheet as of 31 December 2009 and the income statement, the statement of changes in equity and the statement of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes on pages 11 to 48.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

For PricewaterhouseCoopers (Cambodia) Limited

By Senaka Fernando
Director

Phnom Penh, Kingdom of Cambodia
Date: 07 April 2010

SATHAPANA LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2009**

	Note	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
ASSETS					
Cash on hand	4	570,736	521,714	2,379,398	2,129,115
Balances with the Central Bank	5	518,676	255,071	2,162,360	1,040,945
Balances with other banks	6	1,305,812	1,760,767	5,443,930	7,185,690
Loans to customers	7	39,170,773	37,125,862	163,302,953	151,510,643
Other assets	8	983,278	973,890	4,099,285	3,974,444
Property and equipment	9	918,529	785,800	3,829,347	3,206,850
Intangible assets	10	6,395	11,789	26,661	48,111
Total assets		43,474,199	41,434,893	181,243,934	169,095,798
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers	11	3,055,413	1,854,786	12,738,017	7,569,382
Borrowings	12	29,042,269	29,900,285	121,077,219	122,023,063
Subordinated debts	13	2,400,000	2,200,000	10,005,600	8,978,200
Other liabilities	14	836,876	749,937	3,488,936	3,060,493
Current income tax liabilities	15	361,014	422,597	1,505,067	1,724,618
Provident fund obligations	16	609,055	304,756	2,539,150	1,243,709
Total liabilities		36,304,627	35,432,361	151,353,989	144,599,465
EQUITY					
Share capital	17	3,033,510	3,033,510	12,646,703	12,379,754
Share premium		174,960	174,960	729,408	714,012
Retained earnings		3,961,102	2,794,062	16,513,834	11,402,567
Total equity		7,169,572	6,002,532	29,889,945	24,496,333
Total liabilities and equity		43,474,199	41,434,893	181,243,934	169,095,798

The accompanying notes on pages 11 to 48 form an integral part of these financial statements.

SATHAPANA LIMITED

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

	Note	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Interest income	18	10,253,765	9,171,662	42,747,946	37,429,553
Interest expense	19	<u>(3,237,527)</u>	<u>(2,824,780)</u>	<u>(13,497,250)</u>	<u>(11,527,927)</u>
Net interest income		7,016,238	6,346,882	29,250,696	25,901,626
Other income	20	191,627	173,787	798,893	709,225
Personnel expenses	21	<u>(2,892,403)</u>	<u>(2,089,896)</u>	<u>(12,058,428)</u>	<u>(8,528,866)</u>
Depreciation and amortisation expenses	22	<u>(373,294)</u>	<u>(322,799)</u>	<u>(1,556,263)</u>	<u>(1,317,343)</u>
General and administrative expenses	23	<u>(1,617,936)</u>	<u>(1,407,987)</u>	<u>(6,745,175)</u>	<u>(5,745,995)</u>
Operating income		2,324,232	2,699,987	9,689,723	11,018,647
Provision for bad and doubtful loans	7	<u>(148,413)</u>	<u>(203,122)</u>	<u>(618,734)</u>	<u>(828,941)</u>
Profit before income tax		2,175,819	2,496,865	9,070,989	10,189,706
Income tax expense	24	<u>(458,695)</u>	<u>(508,829)</u>	<u>(1,912,299)</u>	<u>(2,076,531)</u>
Net profit for the year		<u>1,717,124</u>	<u>1,988,036</u>	<u>7,158,690</u>	<u>8,113,175</u>

The accompanying notes on pages 11 to 48 form an integral part of these financial statements.

SATHAPANA LIMITED

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

	Note	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2008		2,233,510	174,960	1,921,345	4,329,815
Conversion of retained earnings into share capital	17	800,000	-	(800,000)	-
Net profit for the year		-	-	1,988,036	1,988,036
Dividends paid	25	-	-	(291,007)	(291,007)
Currency revaluation		-	-	(24,312)	(24,312)
Balance as at 31 December 2008		<u>3,033,510</u>	<u>174,960</u>	<u>2,794,062</u>	<u>6,002,532</u>
Equivalent in KHR'000 (Unaudited)		<u>12,379,754</u>	<u>714,012</u>	<u>11,402,567</u>	<u>24,496,333</u>
Balance as at 1 January 2009		3,033,510	174,960	2,794,062	6,002,532
Net profit for the year		-	-	1,717,124	1,717,124
Dividends paid	25	-	-	(497,010)	(497,010)
Currency revaluation		-	-	(53,074)	(53,074)
Balance as at 31 December 2009		<u>3,033,510</u>	<u>174,960</u>	<u>3,961,102</u>	<u>7,169,572</u>
Equivalent in KHR'000 (Unaudited)		<u>12,646,703</u>	<u>729,408</u>	<u>16,513,834</u>	<u>29,889,945</u>

The accompanying notes on pages 11 to 48 form an integral part of these financial statements.

SATHAPANA LIMITED

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

Note	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
Cash flows from operating activities				
Cash generated from/(used in) operations	26	1,724,485 (11,659,118)	7,189,379 (47,580,862)	(47,580,862)
Income tax paid	15	(520,278) (336,797)	(2,169,039) (1,374,469)	(1,374,469)
Provident fund paid	16	(16,471) (8,117)	(68,668) (33,125)	(33,125)
Net cash generated from/(used in) operating activities		<u>1,187,736</u> <u>(12,004,032)</u>	<u>4,951,672</u> <u>(48,988,456)</u>	<u>(48,988,456)</u>
Cash flows from investing activities				
Purchases of property and equipment		(528,468) (704,572)	(2,203,183) (2,875,358)	(2,875,358)
Purchases of intangible assets		(999) (5,000)	(4,165) (20,405)	(20,405)
Proceeds from disposal of property and equipment		<u>25,176</u> <u>14,414</u>	<u>104,959</u> <u>58,824</u>	<u>58,824</u>
Net cash used in investing activities		<u>(504,291)</u> <u>(695,158)</u>	<u>(2,102,389)</u> <u>(2,836,939)</u>	<u>(2,836,939)</u>
Cash flows from financing activities				
Proceeds from borrowings		3,346,946 17,237,785	13,953,418 70,347,401	70,347,401
Repayments of borrowings		(3,942,084) (2,540,000)	(16,434,548) (10,365,740)	(10,365,740)
Dividends paid	25	(497,010) (291,007)	(2,072,035) (1,187,600)	(1,187,600)
Net cash (used in)/generated from financing activities		<u>(1,092,148)</u> <u>14,406,778</u>	<u>(4,553,165)</u> <u>58,794,061</u>	<u>58,794,061</u>
Net (decrease)/increase in cash and cash equivalents		(408,703) 1,707,588	(1,703,882) 6,968,666	6,968,666
Cash and cash equivalents at beginning of year		2,288,376 580,788	9,338,862 2,324,894	2,324,894
Currency translation		<u>-</u> <u>-</u>	<u>201,376</u> <u>45,302</u>	<u>45,302</u>
Cash and cash equivalents at end of year	27	<u>1,879,673</u> <u>2,288,376</u>	<u>7,836,356</u> <u>9,338,862</u>	<u>9,338,862</u>

The accompanying notes on pages 11 to 48 form an integral part of these financial statements.

SATHAPANA LIMITED

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

1. GENERAL INFORMATION

Sathapana Limited (“the Company”) is engaged in providing microfinancing services through 14 provincial branches located in Phnom Penh, Siem Reap, Kampong Cham, Kampong Thom, Kandal, Banteay Meanchey, Battambang, Pursat, Kampong Chhnang, Kampong Speu, Kampot, Takeo, Prey Veng and Sihanouk Ville provinces.

The Company was incorporated with the Ministry of Commerce on 19 February 2003 as a result of the Memorandum and Articles of Association signed on 27 December 2002 between Cambodia Community Building (“CCB”), a local NGO established in 1996, and the Company’s staff. The Company obtained its licence to operate as a microfinance institution from the NBC on 23 April 2003. Under the microfinance licence, the Company is authorised to grant credit and offer saving services to poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

The NBC granted an indefinite-life microfinance licence to the Company effective from 19 April 2006. On 22 January 2009, the Company received a licence from the NBC to conduct a deposit-taking business.

The Company’s mission is to empower poor entrepreneurs, especially women, in urban and rural areas to develop their income-generating activities and microenterprises through access to microfinancing services, including credit and savings, at reasonable rates.

The registered office of the Company is located at No. 831C, Monivong Boulevard, Sangkat Phsar Daeumthkov, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia

As at 31 December 2009, the Company had 747 employees (31 December 2008: 653 employees).

The financial statements were authorised for issue by the Board of Directors on 07 April 2010. The Board of Directors has the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Company’s financial statements have been prepared in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards (“CAS”). In applying CAS, the Company also applies CFRS 4: Insurance Contracts and CFRS 7: Financial Instruments: Disclosures. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia.

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

The financial statements have been prepared in United States dollars ("US\$") using the historical cost convention.

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

2.2 New accounting standards and interpretations

(a) *New standards, amendments to existing standards and interpretations effective in the year 2009*

There were no standards, amendments to existing standards and interpretations which became effective in the financial year ended 31 December 2009.

(b) *Standards and amendments to existing standards issued but not yet effective*

On 28 August 2009, the National Accounting Council announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS"), which are based on full International Financial Reporting Standards. Public accountable entities will be required to prepare their financial statements in accordance with CIFRS for accounting periods beginning on or after 1 January 2012.

The following Cambodian International Accounting Standards ("CIAS") or CIFRS and amendments to existing standards, which have been published are relevant and mandatory for the Company for accounting periods beginning on or after 1 January 2012, but have not been early adopted by the Company:

- CIAS 1 (Revised), 'Presentation of Financial Statements'.
The revised standard prohibits the presentation of income and expense items (i.e., 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are to be shown in a performance statement. Entities can opt to present one performance statement (i.e. statement of comprehensive income) or two statements (i.e. income statement and statement of comprehensive income). Entities which restate or reclassify comparative information are required to present a restated balance sheet as at the beginning comparative period. The revised standard also clarifies that potential settlement of a liability by issue of equity is not relevant in determining the classification of a liability as current or non-current. The Company will apply CIAS 1 (Revised) from 1 January 2012. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

- CIAS 16 (Amendment), 'Property, Plant and Equipment' (and consequential amendment to CIAS 7, 'Statement of Cash Flows')
The amended standard requires entities whose ordinary activities comprise renting and subsequently selling assets, to present proceeds from the sale of those assets as revenue and to transfer the carrying amount of an asset to inventories when the asset becomes held for sale. The consequential amendment to CIAS 7 requires cash flows arising from the purchases, rental and sale of those assets to be classified as cash flows from operating activities. This is not expected to have a material impact on the Company's financial statements.
- CIAS 19, 'Employee Benefits'
The objective of this standard is to prescribe the accounting and disclosure requirements for employee benefits. The Standard requires an entity to recognise: (a) a liability when an employee has provided services in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from the services provided by an employee in exchange for employee benefits. This is not expected to have a material impact on the Company's financial statements.
- CIAS 24 (Revised), 'Related Party Disclosures'
CIAS 24 was revised by (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition; and (b) providing a partial exemption from the disclosure requirements for government-related entities. CIAS 24 (Revised) will not have a material impact on the Company's financial statements
- CIAS 32, 'Financial Instruments: Presentation'
The objective of this standard is to establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments as well as classification of related interest, dividends, losses and gains. CIAS 32 will not have significant impact on the classification and presentation of the Company's financial instruments as it mainly has loans and receivables as financial assets and deposits from customers as financial liabilities.
- CIAS 36 (Amendment), 'Impairment of Assets'
The amended standard states that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment will not have a material impact on the Company's financial statements.
- CIAS 38 (Amendment), 'Intangible Assets'
The revised standard provides clarification in respect of fair value measurement of an intangible asset acquired in business combination and it permits the grouping of intangible assets as a single asset if the individual assets have similar useful economic lives. The amendment will not have a material impact on the Company's financial statements.

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

- CIAS 39, "Financial Instruments: Recognition and Measurement"
The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Adoption of CIAS 39 will result in the following revisions to the accounting policies on financial instruments:

Loans to customers

Loans to customers are currently stated in the balance sheet at outstanding principal and interest, less any amounts written off and provision for loan losses. Under CIAS 39, loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

The Company currently follows the mandatory credit classification and provisioning as required by Prakas No. B7-02-186 dated 13 September 2002 issued by the Central Bank, as disclosed in note 2.7 to the financial statements. CIAS 39 requires the Company to assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired, either on an individual or collective assessment basis. Impairment loss is measured as the difference between an asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For the purposes of collective impairment assessment, assets are grouped on the basis of similar credit risk characteristics.

Deposits from customers

The Company currently measures deposits from customers at the deposit amount. CIAS 39 requires financial liabilities (which include deposits from customers) to be measured at amortised cost.

Interest income and interest expense

The Company currently recognises interest income and expense on an accrual basis at contractual rates, except where serious doubt exists as to the collectibility, in which case interest is suspended until it is realised on a cash basis. CIAS 39 requires interest income and expense for all interest-bearing financial instruments to be recognised using the effective interest method. In respect of a financial asset or a group of similar financial assets which are impaired, interest income is to be recognised at the interest rate used in discounting future cash flows for the purpose of measuring the impairment loss.

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

- CIFRS 7 (Amendment), 'Financial Instruments - Disclosures'
The revised standard requires enhanced disclosures in respect of fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair values by fair value measurement hierarchy as follows:
 - Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly; and
 - Level 3 - Inputs for an asset or liability that are not based on observable market data.

- CIFRS 9, 'Financial Instruments'
This standard establishes principles for financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. CIFRS 9 specifies the bases for classification and measurement of financial assets, including some hybrid contracts. They require all financial assets to be: (a) classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of a financial asset; (b) initially measured at fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss; and (c) subsequently measured at amortised cost or fair value based on asset classification.

(c) *Early adoption of standards*

In the year 2009, the Company did not early-adopt any new or amended standards.

2.3 Foreign currencies

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in US\$, which is the Company's functional and presentation currency.

For the sole purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia, a translation to Khmer Riel ("KHR") is provided for the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements as of and for the year ended 31 December 2009 using the average official exchange rate regulated by the National Bank of Cambodia as at the reporting date, which was US\$1 equal to KHR 4,169 (31 December 2008: US\$1 equal to KHR 4,081). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be converted into KHR at that or any other rate.

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currencies (continued)

(b) Transactions and balances

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

2.4 Basis of aggregation

The financial statements comprise the financial statements of the head office and the 14 provincial branches located in Phnom Penh, Kandal, Kampong Cham, Kampong Thom, Siem Reap, Banteay Meanchey, Battambang, Pursat, Kampong Chhnang, Kampong Speu, Kampot, Takeo, Prey Veng and Sihanouk Ville provinces, after the elimination of all inter-branch balances and transactions.

2.5 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand and deposits with original maturities of three months or less.

2.6 Loans to customers

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

Loans are written off when there is no realistic prospect of recovery. Recovery of previously written-off loans to customers is recognised in the income statement.

2.7 Provision for bad and doubtful loans

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

Classification	Number of days past due	Provision
<i>Short-term loans (less than one year)</i>		
Standard	Less than 30 days	0%
Substandard	Equal to or more than 30 days	10%
Doubtful	Equal to or more than 60 days	30%
Loss	Equal to or more than 90 days	100%
<i>Long-term loans (more than one year)</i>		
Standard	Less than 30 days	0%
Substandard	Equal to or more than 30 days	10%
Doubtful	Equal to or more than 180 days	30%
Loss	Equal to or more than 360 days	100%

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provision for bad and doubtful loans (continued)

In addition to the above provision, an additional provision for loan losses is made at the rate of 1.30% (31 December 2008: 1.25%) of all outstanding performing loans, net of the mandatory provision as at year-end, which has been approved by the Board of Directors.

2.8 Property and equipment

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

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

Depreciation is calculated using the following rates and methods:

Office furniture and equipment – declining	25%
Computers – declining	50%
Motor vehicles – declining	25%
Leasehold improvement – straight-line	9% - 16%

Gains or losses on disposals are determined by comparing proceeds with carrying amount. Gains or losses on disposals are recognised in the income statement.

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.

2.9 Intangible assets

Intangible assets consist of computer software and are stated at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a declining basis method at the rate of 50% per annum.

2.10 Impairment of non-financial assets

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

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Borrowings

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

2.12 Subordinated debts

Subordinated debts are treated as part of the Company's liabilities and included in the Company's net worth computation under the Central Bank's regulations. Foreign exchange differences on the subordinated debts of the Company are taken through the income statement.

2.13 Provisions

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

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

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

2.14 Provident fund

The Company provides its employees with benefits under the provident fund policy. Employees who complete the probationary period have the option of participating in the provident fund scheme. The fund is sourced from the following:

- Employees may contribute up to 5% of their monthly salary, and the Company contributes twice that amount. This contribution is charged to the income statement.
- The Company contributes interest on the cumulative balance of the provident fund computed at 6.5% per annum. This contribution is charged to the income statement.

The provident fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment. The employee's contribution and interest are paid in full accordingly, while the Company's contribution is paid in accordance with the following conditions:

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Provident fund (continued)

Years of service (*)	Percentage of contribution by the Company
Equal to or less than 1 year	0%
More than 1 year	20%
More than 2 years	40%
More than 3 years	60%
More than 4 years	80%
More than 5 years	100%

(*): Years of service are exclusive of the probationary period.

Those who have been terminated due to serious misconduct are only entitled to his/her contribution plus interest, regardless of how long they have been employed by the Company.

2.15 Interest income and expense

Interest income on loans to customers, balances with the Central Bank and balances with other banks are recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest income on loans to customers is suspended until it is realised on a cash basis.

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

2.16 Leases

Leases in which a significant portion of risks and rewards of ownership of assets are retained by the leaser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the leases.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in Cambodia where the Company operates and generates taxable income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate 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 temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

SATHAPANA LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 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.

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

2.19 Rounding of amounts

The presenting amounts in the financial statements have been rounded off to the nearest dollars and thousand Khmer Riel amounts, respectively.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Impairment losses on loans to customers*

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 on the classification and provisioning for bad and doubtful debts. The National Bank of Cambodia requires microfinance institutions to classify their loan portfolios into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

In addition to the required provision, an additional provision for loan losses is made at the rate of 1.30% (31 December 2008: 1.25%) of all outstanding performing loans, net of the mandatory provision as at year-end, which has been approved by the Board of Directors.

(b) *Income tax*

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

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

SATHAPANA LIMITED

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

4. CASH ON HAND

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Head office	48,702	18,712	203,039	76,364
Branches	<u>522,034</u>	<u>503,002</u>	<u>2,176,359</u>	<u>2,052,751</u>
	<u>570,736</u>	<u>521,714</u>	<u>2,379,398</u>	<u>2,129,115</u>

5. BALANCES WITH THE CENTRAL BANK

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Statutory capital deposit	303,351	151,676	1,264,670	618,990
Reserve deposit	212,200	97,500	884,662	397,898
Current accounts	<u>3,125</u>	<u>5,895</u>	<u>13,028</u>	<u>24,057</u>
	<u>518,676</u>	<u>255,071</u>	<u>2,162,360</u>	<u>1,040,945</u>

(i) Statutory capital deposit

In compliance with Prakas B7-07-163 dated 13 December 2007 on the Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the NBC of 10% of registered capital. This deposit is refundable should the Company voluntarily liquidate and have no deposit liabilities.

(ii) Reserve deposit

The reserve deposit represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas B7-07-163 on the Licensing of Deposit-Taking Microfinance Institutions.

(iii) Interest rates

Reserve deposit and current accounts are non-interest bearing. The statutory capital deposit in US\$ earns interest ranging from 0.28% to 0.68%. The interest payment is settled semi-annually.

SATHAPANA LIMITED

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

6. BALANCES WITH OTHER BANKS

	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
Current accounts	185,588	190,681	773,717	778,169
Savings accounts	620,224	1,570,086	2,585,713	6,407,521
Fixed accounts	500,000	-	2,084,500	-
	<u>1,305,812</u>	<u>1,760,767</u>	<u>5,443,930</u>	<u>7,185,690</u>

Current accounts are non-interest bearing. Annual interest rates on other deposits are summarised as follows:

	2009	2008
Fixed accounts	4.25%	-
Savings accounts	0.10% to 2%	1% to 2.50%

7. LOANS TO CUSTOMERS

	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
Group loans	126,596	435,939	527,779	1,779,067
Individual loans	<u>39,559,842</u>	<u>37,159,879</u>	<u>164,924,981</u>	<u>151,649,466</u>
Gross loans to customers	<u>39,686,438</u>	<u>37,595,818</u>	<u>165,452,760</u>	<u>153,428,533</u>
Mandatory provision	(315,332)	(17,582)	(1,314,619)	(71,752)
Additional provision	<u>(200,333)</u>	<u>(452,374)</u>	<u>(835,188)</u>	<u>(1,846,138)</u>
Provision for bad and doubtful loans	<u>(515,665)</u>	<u>(469,956)</u>	<u>(2,149,807)</u>	<u>(1,917,890)</u>
Net loans to customers	<u>39,170,773</u>	<u>37,125,862</u>	<u>163,302,953</u>	<u>151,510,643</u>

SATHAPANA LIMITED

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

7. LOANS TO CUSTOMERS (continued)

(a) Provision for bad and doubtful loans

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

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
At beginning of the year	469,956	280,689	1,959,247	1,145,492
Provision for the year	148,413	203,122	618,734	828,941
Bad debts written-off	(100,920)	(13,121)	(420,735)	(53,547)
Currency revaluation	(1,784)	(734)	(7,439)	(2,996)
At end of the year	<u>515,665</u>	<u>469,956</u>	<u>2,149,807</u>	<u>1,917,890</u>

(b) By maturity

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Less than 1 month	3,133,903	3,148,491	13,065,242	12,848,992
1 month and less than 3 months	6,317,884	6,464,192	26,339,258	26,380,368
3 months and less than 12 months	21,835,356	20,990,667	91,031,599	85,662,912
1 year and less than 5 years	8,399,295	6,992,468	35,016,661	28,536,261
	<u>39,686,438</u>	<u>37,595,818</u>	<u>165,452,760</u>	<u>153,428,533</u>

(c) By economic sector

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Agriculture	9,613,993	8,390,859	40,080,737	34,243,096
Building and construction	1,248,286	1,381,414	5,204,104	5,637,551
Small trade and commerce	15,396,917	14,898,495	25,027,453	60,800,758
Services	7,424,015	7,048,598	30,950,719	28,765,328
Others	6,003,227	5,876,452	64,189,747	23,981,800
	<u>39,686,438</u>	<u>37,595,818</u>	<u>165,452,760</u>	<u>153,428,533</u>

(d) By relationship

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
External customers	39,230,613	37,227,058	163,552,426	151,923,623
Staff loans	455,825	368,760	1,900,334	1,504,910
	<u>39,686,438</u>	<u>37,595,818</u>	<u>165,452,760</u>	<u>153,428,533</u>

SATHAPANA LIMITED

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

7. LOANS TO CUSTOMERS (continued)

(e) By location

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Head Office	262,209	315,274	1,093,149	1,286,633
Phnom Penh	9,423,049	8,662,932	39,284,691	35,353,425
Kandal	8,176,181	7,925,211	34,086,499	32,342,786
Kampong Thom	3,864,946	3,191,452	16,112,960	13,024,316
Kampong Cham	6,905,197	6,234,557	28,787,766	25,443,227
Siem Reap	4,527,189	5,490,605	18,873,851	22,407,159
Kampong Chhnang	501,733	585,872	2,091,725	2,390,944
Pursat	501,645	592,862	2,091,358	2,419,470
Battambang	949,365	860,200	3,957,903	3,510,476
Banteay Meanchey	696,836	611,549	2,905,109	2,495,731
Kampong Speu	826,150	900,787	3,444,219	3,676,112
Kampot	557,614	544,078	2,324,693	2,220,382
Takao	883,462	592,556	3,683,153	2,418,221
Peam Ro	575,019	359,233	2,397,254	1,466,030
Sihanouk Ville	1,035,843	728,650	4,318,430	2,973,621
	<u>39,686,438</u>	<u>37,595,818</u>	<u>165,452,760</u>	<u>153,428,533</u>

(f) Analysis by security on performing and non-performing loans

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Standard loans:				
Secured	38,842,359	37,531,664	161,933,795	153,166,721
Unsecured	-	-	-	-
Sub-standard loans:				
Secured	347,590	42,005	1,449,103	171,422
Unsecured	-	-	-	-
Doubtful loans:				
Secured	308,455	12,515	1,285,949	51,074
Unsecured	-	-	-	-
Loans loss:				
Secured	188,034	9,634	783,913	39,316
Unsecured	-	-	-	-
	<u>39,686,438</u>	<u>37,595,818</u>	<u>165,452,760</u>	<u>153,428,533</u>

(g) Loans to related parties

Refer to Note 29 "Related Party Transactions and Balances" for details of loans to related parties.

SATHAPANA LIMITED

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

7. LOANS TO CUSTOMERS (continued)

(h) Interest rate

The annual interest rates that were in operation during the year are as follows:

	2009	2008
External customers	18% - 36%	18% - 42%
Staff loans	12%	12%

8. OTHER ASSETS

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Interest receivable	553,420	564,962	2,307,208	2,305,610
Prepayments and deposits	422,590	406,582	1,761,778	1,659,261
Others	7,268	2,346	30,299	9,573
	<u>983,278</u>	<u>973,890</u>	<u>4,099,285</u>	<u>3,974,444</u>

9. PROPERTY AND EQUIPMENT

	Office furniture and equipment US\$	Computers US\$	Motor vehicles US\$	Leasehold improvement US\$	Total US\$
At 1 January 2008					
Cost	210,197	188,158	405,848	-	804,203
Accumulated depreciation	(91,916)	(123,512)	(183,697)	-	(399,125)
Net book value	<u>118,281</u>	<u>64,646</u>	<u>222,151</u>	<u>-</u>	<u>405,078</u>
Year ended 31 December 2008					
Opening net book value	118,281	64,646	222,151	-	405,078
Additions	300,217	100,654	279,170	24,531	704,572
Disposals – net	(652)	-	(12,188)	-	(12,840)
Depreciation charge	(104,595)	(82,652)	(122,299)	(1,464)	(311,010)
Closing net book value	<u>313,251</u>	<u>82,648</u>	<u>366,834</u>	<u>23,067</u>	<u>785,800</u>
At 31 December 2008					
Cost	507,294	288,812	634,523	24,531	1,455,160
Accumulated depreciation	(194,043)	(206,164)	(267,689)	(1,464)	(669,360)
Net book value	<u>313,251</u>	<u>82,648</u>	<u>366,834</u>	<u>23,067</u>	<u>785,800</u>
Equivalent in KHR'000 (Unaudited)	<u>1,278,378</u>	<u>337,286</u>	<u>1,497,050</u>	<u>94,136</u>	<u>3,206,850</u>

SATHAPANA LIMITED

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

9. PROPERTY AND EQUIPMENT (continued)

	Office furniture and equipment US\$	Computers US\$	Motor vehicles US\$	Leasehold improvement US\$	Total US\$
Year ended 31 December 2009					
Opening net book value	313,251	82,648	366,834	23,067	785,800
Additions	79,651	121,143	294,755	32,919	528,468
Disposals - net	(11,340)	(1,639)	(15,859)	-	(28,838)
Depreciation charge	(96,378)	(101,359)	(162,662)	(6,502)	(366,901)
Closing net book value	<u>285,184</u>	<u>100,793</u>	<u>483,068</u>	<u>49,484</u>	<u>918,529</u>
At 31 December 2009					
Cost	560,100	375,243	873,238	57,450	1,866,031
Accumulated depreciation	(274,916)	(274,450)	(390,170)	(7,966)	(947,502)
Net book value	<u>285,184</u>	<u>100,793</u>	<u>483,068</u>	<u>49,484</u>	<u>918,529</u>
Equivalent in KHR'000 (Unaudited)	<u>1,188,932</u>	<u>420,206</u>	<u>2,013,910</u>	<u>206,299</u>	<u>3,829,347</u>

10. INTANGIBLE ASSETS

	Computer software US\$
At 1 January 2008	
Cost	67,084
Accumulated amortisation	(48,506)
Net book value	<u>18,578</u>
Year ended 31 December 2008	
Opening net book value	18,578
Additions	5,000
Amortisation charge	(11,789)
Closing net book value	<u>11,789</u>
At 31 December 2008	
Cost	72,084
Accumulated amortisation	(60,295)
Net book value	<u>11,789</u>
Equivalent in KHR'000 (Unaudited)	<u>48,111</u>

SATHAPANA LIMITED

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

10. INTANGIBLE ASSETS (continued)

	Computer software US\$
Year ended 31 December 2009	
Opening net book value	11,789
Additions	999
Amortisation charge	(6,393)
Closing net book value	<u>6,395</u>
At 31 December 2009	
Cost	73,083
Accumulated amortisation	(66,688)
Net book value	<u>6,395</u>
Equivalent in KHR'000 (<i>Unaudited</i>)	<u>26,661</u>

11. DEPOSITS FROM CUSTOMERS

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Compulsory savings	196,200	194,140	817,958	792,285
Voluntary savings				
Savings deposits	1,622,216	1,178,762	6,763,019	4,810,528
Term deposits	1,236,997	481,884	5,157,040	1,966,569
	<u>3,055,413</u>	<u>1,854,786</u>	<u>12,738,017</u>	<u>7,569,382</u>

The compulsory savings are required as a condition of granting loans by the Company. 2% and 5% of the principal loan amount disbursed in US Dollar and Khmer Riel, respectively, are recorded as compulsory savings. The compulsory savings bear interest at the rate of 4% per annum (31 December 2008: 4% per annum). The compulsory savings are to be refunded at the end of the loan periods.

The voluntary savings are available for all customers and bear interest at the rate of 4% per annum (31 December 2008: 4% per annum).

The term deposits bear interest at the following annual rates:

	2009		2008	
	US\$	Riel	US\$	Riel
One-month term	4.5%	5.0%	4.5%	5.0%
Three-month term	5.0%	6.0%	5.0%	6.0%
Six-month term	5.5%	7.0%	5.5%	7.0%
Twelve-month term	7.5%	9.5%	7.5%	9.5%

SATHAPANA LIMITED

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

12. BORROWINGS

	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
<i>Related parties:</i>				
Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V ("FMO")	3,157,807	4,143,148	13,164,897	16,908,187
Triodos & Doen	3,750,000	2,500,000	15,633,750	10,202,500
DWM	3,000,000	-	12,507,000	-
ShoreCap International Ltd	-	125,000	-	510,125
	<u>9,907,807</u>	<u>6,768,148</u>	<u>41,305,647</u>	<u>27,620,812</u>
<i>Non-related parties:</i>				
Blue Orchard	2,000,000	2,325,000	8,338,000	9,488,325
Belgische Investerings - Maatschappij voor Ontwikkelings-landen N.V	1,875,000	2,625,000	7,816,875	10,712,625
Global Microfinance Facility	3,000,000	3,000,000	12,507,000	12,243,000
Oikocredit	4,759,462	3,682,137	19,842,197	15,026,801
Global Commercial Microfinance Consortium, Ltd. (c/o Deutsche Bank Ltd.)	3,500,000	3,500,000	14,591,500	14,283,500
Dual Return Fund SICAV	1,000,000	2,000,000	4,169,000	8,162,000
DWM	-	3,000,000	-	12,243,000
Norfund	3,000,000	3,000,000	12,507,000	12,243,000
	<u>19,134,462</u>	<u>23,132,137</u>	<u>79,771,572</u>	<u>94,402,251</u>
	<u>29,042,269</u>	<u>29,900,285</u>	<u>121,077,219</u>	<u>122,023,063</u>

On 16 July 2009, ShoreCap International Limited, a shareholder of the Company sold its shareholding of 34% to DWM Funds S.C.A – SICAV SIF.

The borrowings mature until 31 October 2016 and bear interest at rates ranging from 4.84% to 11% (2008: 6.21% to 12.94%). None of the Company's borrowings are secured.

The Company has not had any defaults of principal, interest or redemption amounts during the year on its borrowings (2008: nil).

The Company has the following undrawn borrowing facilities:

	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
Fixed rate:				
- Expiring beyond one year	2,000,000	-	8,338,000	-

SATHAPANA LIMITED

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

13. SUBORDINATED DEBTS

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
<i>Related parties:</i>				
Triodos & Doen	a 2,000,000	2,000,000	8,338,000	8,162,000
DWM	b 400,000	-	1,667,600	-
	<u>2,400,000</u>	<u>2,000,000</u>	<u>10,005,600</u>	<u>8,162,000</u>
<i>Non-related parties:</i>				
DWM	b -	200,000	-	816,200
	<u>2,400,000</u>	<u>2,200,000</u>	<u>10,005,600</u>	<u>8,978,200</u>

(a) Triodos & Doen

On 19 December 2007, the NBC approved the Company's subordinated debt from Triodos & Doen, amounting to US\$2,000,000.

This subordinated debt has a 10-year term maturing on 1 January 2018 and bears interest at the rate of 10% for the first five years, and 12-month LIBOR plus 6% (subject to a minimum interest rate charge at 10.5%) for the remaining period from 1 January 2013.

(b) DWM

On 28 October 2008, the NBC approved the Company's subordinated debt from DWM, amounting to US\$1,000,000. As at 31 December 2009, the Company had drawn down the amount of US\$400,000 (2008: US\$200,000) from DWM.

This subordinated debt has an eight-year term maturing on 31 October 2016 and bears interest at the rate of 11% per annum.

The Company has the following undrawn subordinated debt facilities:

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Fixed rate:				
- Expiring beyond one year	600,000	-	2,501,400	-

14. OTHER LIABILITIES

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Accrued interest payable	474,178	546,552	1,976,848	2,230,479
Staff benefits payable	287,796	128,992	1,199,822	526,416
Accrued other taxation	43,454	59,682	181,160	243,562
Other liabilities	31,448	14,711	131,106	60,036
	<u>836,876</u>	<u>749,937</u>	<u>3,488,936</u>	<u>3,060,493</u>

SATHAPANA LIMITED

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

15. CURRENT INCOME TAX LIABILITIES

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
At beginning of the year	422,597	250,565	1,761,807	1,022,556
Current income tax expenses during the year (note 24)	458,695	508,829	1,912,299	2,076,531
Payments during the year	<u>(520,278)</u>	<u>(336,797)</u>	<u>(2,169,039)</u>	<u>(1,374,469)</u>
At end of the year	<u>361,014</u>	<u>422,597</u>	<u>1,505,067</u>	<u>1,724,618</u>

16. PROVIDENT FUND OBLIGATIONS

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Provident fund obligations	<u>609,055</u>	<u>304,756</u>	<u>2,539,150</u>	<u>1,243,709</u>

The movement in the provident fund obligations for the year is as follows:

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
At beginning of the year	304,756	76,554	1,270,528	312,417
Additions for the year:				
Employer contributions	193,038	148,524	804,775	606,125
Employee contributions	101,656	77,764	423,804	317,355
Interest	26,076	10,031	108,711	40,937
Payments	<u>(16,471)</u>	<u>(8,117)</u>	<u>(68,668)</u>	<u>(33,125)</u>
At end of the year	<u>609,055</u>	<u>304,756</u>	<u>2,539,150</u>	<u>1,243,709</u>

SATHAPANA LIMITED

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

17. SHARE CAPITAL

	%	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
Cambodia Community Building – NGO	23%	710,040	710,040	2,960,157	2,897,673
Sathapana Employee Investment Limited	6%	184,280	184,280	768,263	752,047
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden (“FMO”)	18%	560,280	560,280	2,335,807	2,286,503
DWM Funds S.C.A – SICAV SIF	34%	1,018,630	-	4,246,669	-
ShoreCap International Limited		-	1,018,630	-	4,157,029
Stichting Triodos-Doen	18%	560,280	560,280	2,335,807	2,286,502
	<u>100%</u>	<u>3,033,510</u>	<u>3,033,510</u>	<u>12,646,703</u>	<u>12,379,754</u>

On 23 April 2008, the Company increased its share capital by US\$800,000 through conversion from retained earnings. The increase in share capital was approved by the NBC on 19 June 2008 and the Company by-law registered with the Ministry of Commerce was amended on 9 October 2008.

The total authorised number of shares is 303,351 shares (2008: 303,351 shares) with a par value of US\$10 per share (2008: US\$10 per share). All issued shares are fully paid.

On 16 July 2009, ShoreCap International Limited, a shareholder of the Company sold its shareholding of 34% to DWM Funds S.C.A – SICAV SIF.

Included in Sathapana Employee Investment Limited are shares amounting to US\$42,590 and US\$13,790 (2008: US\$39,390 and US\$13,790) held by two directors, Dr. Bun Mony and Mr. Var Muth, respectively.

18. INTEREST INCOME

	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
Interest income from:				
Loans to customers	10,160,021	9,151,934	42,357,128	37,349,043
Balances with the Central Bank and other banks	<u>93,744</u>	<u>19,728</u>	<u>390,818</u>	<u>80,510</u>
	<u>10,253,765</u>	<u>9,171,662</u>	<u>42,747,946</u>	<u>37,429,553</u>

SATHAPANA LIMITED

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

19. INTEREST EXPENSE

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Long-term borrowings	3,100,522	2,703,402	12,926,076	11,032,584
Short-term borrowings	-	30,200	-	123,246
Deposits from customers	109,265	80,507	455,526	328,549
Provident fund	27,740	10,671	115,648	43,548
	<u>3,237,527</u>	<u>2,824,780</u>	<u>13,497,250</u>	<u>11,527,927</u>

20. OTHER INCOME

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Fee and commission income	98,659	102,851	411,309	419,734
Penalty fees	92,968	59,550	387,584	243,024
Gain on foreign exchange	-	3,316	-	13,533
Others	-	8,070	-	32,934
	<u>191,627</u>	<u>173,787</u>	<u>798,893</u>	<u>709,225</u>

The Company did not receive any donations in-kind or subsidies during the year.

21. PERSONNEL EXPENSES

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Salaries and bonuses	2,627,843	1,947,386	10,955,477	7,947,282
Provident fund	193,038	148,524	804,776	606,126
Medical expense	71,522	67,340	298,175	274,815
Reversal of previous year's accrued medical expense	-	(73,354)	-	(299,357)
	<u>2,892,403</u>	<u>2,089,896</u>	<u>12,058,428</u>	<u>8,528,866</u>

SATHAPANA LIMITED

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

22. DEPRECIATION AND AMORTISATION EXPENSES

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Depreciation of property and equipment (note 9)	366,901	311,010	1,529,610	1,269,232
Amortisation of intangible assets (note 10)	<u>6,393</u>	<u>11,789</u>	<u>26,653</u>	<u>48,111</u>
	<u>373,294</u>	<u>322,799</u>	<u>1,556,263</u>	<u>1,317,343</u>

23. GENERAL AND ADMINISTRATION EXPENSES

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Office rental	385,257	268,026	1,606,136	1,093,814
Staff training and conferences	223,529	139,871	931,892	570,814
Printing and office expenses	207,627	269,332	865,597	1,099,144
Legal and professional fees	138,144	152,494	575,922	622,328
Insurance and motor vehicle operating expenses	124,924	136,227	520,808	555,942
Utilities expenses	108,571	91,463	452,632	373,261
Communication expenses	93,858	59,554	391,294	243,040
Marketing and advertising costs	70,502	43,270	293,923	176,585
Transportation costs	66,563	76,283	277,501	311,311
Repairs and maintenance	48,777	77,662	203,351	316,939
Bank charges and service fees	17,682	18,327	73,716	74,792
Other expenses	<u>132,502</u>	<u>75,478</u>	<u>552,403</u>	<u>308,025</u>
	<u>1,617,936</u>	<u>1,407,987</u>	<u>6,745,175</u>	<u>5,745,995</u>

24. INCOME TAX EXPENSE

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Income tax expense	<u>458,695</u>	<u>508,829</u>	<u>1,912,299</u>	<u>2,076,531</u>

SATHAPANA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****24. INCOME TAX EXPENSE** (continued)

a) Reconciliation between income tax expense and accounting profit

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

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Profit before income tax	<u>2,175,819</u>	<u>2,496,865</u>	<u>9,070,989</u>	<u>10,189,706</u>
Tax calculated at a rate of 20%	435,164	499,373	1,814,199	2,037,941
Tax effect of non-deductible expenses	<u>23,531</u>	<u>9,456</u>	<u>98,100</u>	<u>38,590</u>
Income tax expense	<u>458,695</u>	<u>508,829</u>	<u>1,912,299</u>	<u>2,076,531</u>

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

b) Other tax matters

The Company's tax returns are subject to periodic examination by the General Department of Taxation. Some areas of tax laws and regulations may be open to different interpretation; therefore, the tax amounts reported in the financial statements could be changed at a later date upon final determination by the General Department of Taxation.

25. DIVIDENDS

On 22 April 2009, dividends amounting to US\$497,010 were declared and paid in respect of the Company's net profit for the year ended 31 December 2008 (2008: US\$291,007 for 2007 net profit). The dividends were approved by the Company's shareholders.

SATHAPANA LIMITED

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

26. CASH GENERATED FROM/(USED IN) OPERATIONS

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Profit before income tax	2,175,819	2,496,865	9,070,989	10,189,707
Adjustments for:				
Depreciation and amortisation (note 9 and 10)	373,294	322,799	1,556,263	1,317,343
Provision for bad and doubtful loans (note 7)	148,413	203,122	618,734	828,941
Bad debts written off (note 7)	(100,920)	(13,121)	(420,735)	(53,547)
Loss/(Gain) on disposal of property and equipment	3,662	(1,574)	15,267	(6,423)
Provision for provident fund obligations (note 16)	320,770	236,319	1,337,290	964,417
Currency revaluation	(117,736)	(25,046)	(490,841)	(102,213)
Operating profit before changes in operating assets and liabilities	2,803,302	3,219,364	11,686,967	13,138,225
<i>Changes in operating assets and liabilities</i>				
Increase in loans to customers	(2,090,620)	(15,140,711)	(8,715,795)	(61,789,242)
Increase in other assets	(9,388)	(382,640)	(39,139)	(1,561,554)
Increase in reserve deposits	(114,700)	(45,000)	(478,184)	(183,645)
Increase in statutory capital deposits	(151,675)	(40,000)	(632,333)	(163,240)
Increase in deposits from customers	1,200,627	453,444	5,005,414	1,850,505
Increase in other liabilities	86,939	276,425	362,449	1,128,089
Cash generated from/(used in) operations	<u>1,724,485</u>	<u>(11,659,118)</u>	<u>7,189,379</u>	<u>(47,580,862)</u>

27. CASH AND CASH EQUIVALENTS

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Cash on hand (note 4)	570,736	521,714	2,379,398	2,129,115
Balances with the Central Bank (note 5)	3,125	5,895	13,028	24,057
Balances with other banks (note 6)	1,305,812	1,760,767	5,443,930	7,185,690
	<u>1,879,673</u>	<u>2,288,376</u>	<u>7,836,356</u>	<u>9,338,862</u>

SATHAPANA LIMITED

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

28. COMMITMENTS

Operating lease commitments

These operating leases mainly relate to the office and car park rental which are renewable upon mutual agreement.

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
No later than 1 year	369,097	320,680	1,538,765	1,308,695
Later than 1 year and no later than 5 years	946,163	818,436	3,944,554	3,340,037
Later than 5 years	332,386	426,962	1,385,717	1,742,432
	<u>1,647,646</u>	<u>1,566,078</u>	<u>6,869,036</u>	<u>6,391,164</u>

29. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

(a) Loans to Directors and key management personnel

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
At beginning of the year	74,340	28,618	309,923	116,790
Loans issued during the year	-	80,000	-	326,480
Loans repaid during the year	<u>(48,720)</u>	<u>(34,278)</u>	<u>(203,113)</u>	<u>(139,888)</u>
At end of the year	<u>25,620</u>	<u>74,340</u>	<u>106,810</u>	<u>303,382</u>
Interest income earned	<u>6,417</u>	<u>8,074</u>	<u>26,752</u>	<u>32,950</u>

No provisions have been recognised in respect of loans given to related parties. The loan to Directors and key management personnel carried interest at the rate of 12% per annum (2008: 12% per annum).

SATHAPANA LIMITED

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

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Deposits from Directors and key management personnel

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
At beginning of the year	100	2,008	417	8,195
Deposits received during the year	111,996	113,110	466,911	461,602
Deposits repaid during the year	<u>(107,031)</u>	<u>(115,018)</u>	<u>(446,212)</u>	<u>(469,388)</u>
At end of the year	<u>5,065</u>	<u>100</u>	<u>21,116</u>	<u>409</u>
Interest expense on deposits	<u>139</u>	<u>207</u>	<u>579</u>	<u>845</u>

(c) Borrowings and subordinated debts from shareholders

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
At beginning of the year	8,768,148	6,500,000	36,554,409	26,526,500
Change of shareholder – DWM	3,200,000	-	13,340,800	-
Borrowings received during the year	1,950,000	2,955,648	8,129,550	12,061,999
Borrowings repaid during the year	(1,568,908)	(687,500)	(6,540,777)	(2,805,688)
Currency translation	<u>(41,433)</u>	<u>-</u>	<u>(172,735)</u>	<u>-</u>
At end of the year	<u>12,307,807</u>	<u>8,768,148</u>	<u>51,311,247</u>	<u>35,782,811</u>
Interest expense on borrowings	<u>889,772</u>	<u>803,198</u>	<u>3,709,459</u>	<u>3,277,851</u>

(d) Key management personnel compensation

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Board of Directors expenses	<u>93,469</u>	<u>27,725</u>	<u>389,672</u>	<u>113,146</u>
<i>Key management personnel:</i>				
Remuneration and other short-term benefits	120,336	115,321	501,681	470,625
Provident fund	<u>16,044</u>	<u>12,104</u>	<u>66,887</u>	<u>49,396</u>
	<u>229,849</u>	<u>155,150</u>	<u>958,240</u>	<u>633,167</u>

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT

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

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

30.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Company's credit committee.

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy, and credit approval processes and procedures implemented to ensure compliance with NBC guidelines.

(a) Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flow. The credit committee is responsible for approving loans to customers.

(b) Risk limit control and mitigation policies

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. The Central Bank requires microfinance institutions to classify their loan portfolio into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral, as follows:

	2009	2008
Standard	0%	0%
Substandard	10%	10%
Doubtful	30%	30%
Loss	100%	100%

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

	2009	2008	2009	2008
	US\$	US\$	KHR'000	KHR'000
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Credit exposure relating to on-balance sheet assets:</i>				
Balances with other banks	1,305,812	1,760,767	5,443,930	7,185,690
Loans to customers	39,170,773	37,125,862	163,302,953	151,510,643
Other assets	983,278	973,890	4,099,285	3,974,444
	<u>41,459,863</u>	<u>39,860,519</u>	<u>172,846,168</u>	<u>162,670,777</u>

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

As shown above, 94% of total maximum exposure is derived from loans to customers (2008: 93%).

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

- 98% of the loans in the portfolio are considered to be neither past due nor impaired (2008: 99%)
- The Company has introduced a more stringent selection and collection process for granting loans to customers

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(e) Loans to customers

Loans to customers are summarised as follows:

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Loans to customers neither past due nor impaired	38,762,191	37,474,092	161,599,574	152,931,769
Loans to customers past due but not impaired	80,168	57,572	334,221	234,952
Loans to customers individually impaired	844,079	64,154	3,518,965	261,812
Gross	<u>39,686,438</u>	<u>37,595,818</u>	<u>165,452,760</u>	<u>153,428,533</u>
Provision for bad and doubtful loans	<u>(515,665)</u>	<u>(469,956)</u>	<u>(2,149,807)</u>	<u>(1,917,890)</u>
Net loans to customers	<u>39,170,773</u>	<u>37,125,862</u>	<u>163,302,953</u>	<u>151,510,643</u>

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirements. The total provision for bad and doubtful loans is US\$515,665 (2008: US\$469,956), which represents the mandatory provision required by the Central Bank and additional provision for the loan losses.

(i) Loans to customers neither past due nor impaired

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

(ii) Loans to customers past due but not impaired

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

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Past due up to 30 days	<u>80,168</u>	<u>57,572</u>	<u>334,221</u>	<u>234,952</u>
Value of collateral (*)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(iii) Loans to customers individually impaired

In accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning, loans past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

	2009 US\$	2008 US\$	2009 KHR'000 (Unaudited)	2008 KHR'000 (Unaudited)
Past due 30-60 days	67,348	24,884	280,774	101,552
Past due 60-90 days	66,111	10,041	275,617	40,977
Past due 90-180 days	267,878	11,864	1,116,783	48,417
Past due 180-360 days	432,765	17,365	1,804,196	70,866
Past due 360 days or more	9,977	-	41,595	-
	<u>844,079</u>	<u>64,154</u>	<u>3,518,965</u>	<u>261,812</u>
Value of collateral (*)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(iv) Loans to customers renegotiated

There were no renegotiated loans to customers at 31 December 2009 (2008: nil).

(f) Repossessed collateral

During the year ended 31 December 2009, the Company did not obtain any assets by taking possession of collateral held as security (2008: nil).

30.2 Market risk

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

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

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

(i) Foreign exchange risk

The Company operates in Cambodia and transacts in US\$ and Riel, and is exposed to currency risks, primarily with respect to Riel.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

Management monitors its foreign exchange risk against functional currencies. However, the Company does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities by using forward contracts.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2009. Included in the table are the Company's financial instruments at carrying amount by currency in US\$ equivalent.

	US\$		Total
	US\$	KHR	
As at 31 December 2009			
Assets			
Cash on hand	410,246	160,490	570,736
Balances with the Central Bank	518,676	-	518,676
Balances with other banks	1,226,260	79,552	1,305,812
Loans to customers	33,972,510	5,198,263	39,170,773
Other assets	882,895	100,383	983,278
Total financial assets	37,010,587	5,538,688	42,549,275
Liabilities			
Deposits from customers	2,648,123	407,290	3,055,413
Borrowings	26,487,500	2,554,769	29,042,269
Subordinated debts	2,400,000	-	2,400,000
Other liabilities	773,972	62,904	836,876
Total financial liabilities	32,309,595	3,024,963	35,334,558
Net financial position	4,700,992	2,513,725	7,214,717
As at 31 December 2008			
Total financial assets	33,776,498	6,860,806	40,637,304
Total financial liabilities	31,561,196	3,143,812	34,705,008
Net financial position	2,215,302	3,716,994	5,932,296

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

(ii) Price risk

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

(iii) Interest rate risk

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

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 Years US\$	Non-interest bearing US\$	Total US\$
As at 31 December 2009							
Assets							
Cash on hand	-	-	-	-	-	570,736	570,736
Balances with the Central Bank	-	-	303,351	-	-	215,325	518,676
Balances with other banks	1,305,812	-	-	-	-	-	1,305,812
Loans to customers	3,133,903	6,317,884	21,835,356	8,399,295	-	(515,665)	39,170,773
Other assets	-	-	-	-	-	983,278	983,278
Total financial assets	4,439,715	6,317,884	22,138,707	8,399,295	-	1,253,674	42,549,275
Liabilities							
Deposits from customers	2,677,910	62,783	314,720	-	-	-	3,055,413
Borrowings	1,062,500	1,300,000	9,175,979	17,503,790	-	-	29,042,269
Subordinated debts	-	-	-	-	2,400,000	-	2,400,000
Other liabilities	-	-	-	-	-	836,876	836,876
Total financial liabilities	3,740,410	1,362,783	9,490,699	17,503,790	2,400,000	836,876	35,334,558
Total interest repricing gap	699,305	4,955,101	12,648,008	(9,104,495)	(2,400,000)	416,798	7,214,717
As at 31 December 2008							
Total financial assets	4,909,258	6,464,192	21,142,343	6,992,468	-	1,129,043	40,637,304
Total financial liabilities	2,454,728	1,006,544	7,310,114	20,983,685	2,200,000	749,937	34,705,008
Total interest repricing gap	2,454,530	5,457,648	13,832,229	(13,991,217)	(2,200,000)	379,106	5,932,296

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk

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

(a) Liquidity risk management process

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(b) Funding approach

The Company's main sources of liquidity arise from the shareholders' paid-up capital and customers' deposits. The sources of liquidity are reviewed regularly through management's review of the maturity of term deposits, key depositors, borrowings and subordinated debts.

(c) Non-derivative cash flows

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

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
As at 31 December 2009							
Liabilities							
Deposits from customers	1,910,419	133,009	1,075,064	-	-	-	3,118,492
Borrowings	1,303,679	1,485,475	10,504,809	19,737,854	-	-	33,031,817
Subordinated debts	-	71,193	173,418	1,164,504	2,828,153	-	4,237,268
Other liabilities	154,214	160,119	62,822	-	-	-	377,155
Total financial liabilities (contractual maturing dates)	<u>3,368,312</u>	<u>1,849,796</u>	<u>11,816,113</u>	<u>20,902,358</u>	<u>2,828,153</u>	<u>-</u>	<u>40,764,732</u>
Total financial assets (expected maturing dates)	<u>5,693,649</u>	<u>6,334,072</u>	<u>21,897,506</u>	<u>8,516,343</u>	<u>221,348</u>	<u>(114)</u>	<u>42,662,804</u>
As at 31 December 2008							
Liabilities							
Deposits from customers	1,393,028	60,857	434,370	-	-	-	1,888,255
Borrowings	657,318	1,106,167	6,528,448	36,234,159	-	-	44,526,092
Subordinated debts	50,273	-	170,733	1,117,049	4,105,201	-	5,443,256
Other liabilities	91,881	117,447	3,756	-	-	-	213,084
Total financial liabilities (contractual maturing dates)	<u>2,192,500</u>	<u>1,284,471</u>	<u>7,137,307</u>	<u>37,351,208</u>	<u>4,105,201</u>	<u>-</u>	<u>52,070,687</u>
Total financial assets (expected maturing dates)	<u>6,010,867</u>	<u>6,480,955</u>	<u>21,039,292</u>	<u>7,325,931</u>	<u>-</u>	<u>(219,741)</u>	<u>40,637,304</u>

SATHAPANA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****30. FINANCIAL RISK MANAGEMENT (continued)****30.3 Liquidity risk (continued)**

(d) Off-balance sheet items

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as disclosed in Note 28.

30.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Company does not have any financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

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

	Carrying value		Fair value	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Financial assets				
Balances with other banks	1,305,812	1,760,767	1,305,812	1,760,767
Loans to customers	39,170,773	37,125,862	39,170,773	37,125,862
Other assets	983,278	973,890	983,278	973,890
	<u>41,459,863</u>	<u>39,860,519</u>	<u>41,459,863</u>	<u>39,860,519</u>
Financial liabilities				
Deposits from customers	3,055,413	1,854,786	3,055,413	1,854,786
Borrowings	29,042,269	29,900,285	29,042,269	29,900,285
Subordinated debts	2,400,000	2,200,000	2,400,000	2,200,000
Other liabilities	836,876	749,937	836,876	749,937
	<u>35,334,558</u>	<u>34,705,008</u>	<u>35,334,558</u>	<u>34,705,008</u>

i. Balances with other banks

Balances with other banks include non-interest bearing current accounts and savings deposits. The fair value of balances with other banks approximates the carrying amount.

ii. Loans to customers

Loans to customers are net of provision for doubtful and bad loans and their carrying value approximates fair value. The provision for doubtful and bad loans is made under the requirements of the Central Bank's Prakas.

SATHAPANA LIMITED

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 Fair value of financial assets and liabilities (continued)

iii. Deposits from customers and borrowings

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

The fair value of fixed interest-bearing deposits and borrowings are not quoted in an active market. Their value approximates the carrying amount.

30.5 Capital management

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

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

The Central Bank requires all licenced deposit-taking microfinance institutions to i) fulfil the minimum capital requirements, and ii) comply with solvency, liquidity and other requirements.

The table below summarises the composition of regulatory capital:

	2009 US\$	2008 US\$	2009 KHR'000 <i>(Unaudited)</i>	2008 KHR'000 <i>(Unaudited)</i>
Tier 1 Capital				
Share capital	3,033,510	3,033,510	12,646,703	12,379,754
Share premium	174,960	174,960	729,408	714,012
Retained earnings	3,961,102	2,794,062	16,513,834	11,402,567
	<u>7,169,572</u>	<u>6,002,532</u>	<u>29,889,945</u>	<u>24,496,333</u>
Tier 2 Capital				
Subordinated debts (*)	<u>2,400,000</u>	<u>2,200,000</u>	<u>10,005,600</u>	<u>8,978,200</u>
Less: Loans to related parties	<u>(25,620)</u>	<u>(74,340)</u>	<u>(106,810)</u>	<u>(303,382)</u>
Total regulatory capital	<u>9,543,952</u>	<u>8,128,192</u>	<u>39,788,735</u>	<u>33,171,151</u>

(*) This represents subordinated debts approved by the Central Bank.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

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

**APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2009****1. SOLVENCY RATIO, Prakas No. B7-07-163**

A licenced deposit-taking microfinance institution shall at all times maintain a solvency ratio of more than 15%. As at 31 December 2009, the solvency ratio of the Company was 22.47%.

The net worth and solvency ratio calculation are detailed in Schedule 1.

2. LIQUIDITY RATIO, Prakas No. B7-07-163

A licenced deposit-taking microfinance institution shall at all times maintain a liquidity ratio of at least 50%. As at 31 December 2009, the liquidity ratio of the Company was 773.52%.

The liquidity ratio calculation is detailed in Schedule 2.

3. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No. B7-07-134

A licenced microfinance institution shall at all times maintain a net open position in foreign currencies in either any foreign currency or an overall net open position in all foreign currencies, whether long or short, which shall not exceed 20% of the Company's net worth. As at 31 December 2009, the net open position in Khmer Riel was 15.27%.

The net open position calculation is detailed in Schedule 3.

4. RESERVE REQUIREMENT, Prakas No. B7-07-163

A licenced deposit-taking microfinance institution shall deposit 8% of its deposits into an account maintained with the Central Bank. As at 31 December 2009, the reserve requirement was KHR 953,605,000, and the Company has deposited KHR 955,535,000 with the Central Bank in January 2010 following the annual schedule set by the Central Bank.

The reserve requirement calculation is detailed in Schedule 4.

**5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO,
Prakas No. B7-02-186**

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

Loan term of one year or less than one year

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

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

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

Mandatory provisions on the loans are classified as follows:

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

As at 31 December 2009, the mandatory provision provided by the Company was KHR 1,314,619,000, which is in compliance with the Central Bank's Prakas.

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

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2009

	<u>KHR '000</u>
I- Sub-total A: Items to be added	
- Capital or endowment	12,646,703
- Reserve, other than revaluation reserves	-
- Premium related to capital (share premium)	729,408
- Provision for general banking risks, with the prior agreement of the NBC	-
- Retained earnings	9,355,144
- Audited net profit for the latest financial year	7,158,690
- Other items approved by the NBC	-
	<u>29,889,945</u>
II- Sub-total B: Items to be deducted	
- For shareholders, directors, managers and their next of kin	
> Unpaid portion of capital	
> Advances, loans, security and the agreement of the persons concerned as defined above	106,810
- Holding of own shares at their book value	-
- Accumulated losses	-
- Formation expenses	-
- Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	-
	<u>106,810</u>
III- Total C: BASE NET WORTH = A – B	<u>29,783,135</u>
IV- Sub-total D: Items to be added	
- Revaluation reserves, with the prior agreement of the NBC	-
- Subordinated debt, with the prior agreement of the NBC, up to 100% of base net worth	10,005,600
- Other items, with the prior agreement of the NBC, could be included in the calculation of net worth and shall not be more than the base net worth	-
	<u>10,005,600</u>
V- Sub-total E: Items to be deducted	
- Equity participation in banking and financial institutions	-
- Other items	-
	<u>-</u>
VI- Total F: TOTAL NET WORTH = C + D – E	<u>39,788,735</u>

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2009

KHR'000

I- Numerator (A)

Net worth 39,788,735

II- Denominator (B)

Assets (*)	KHR'000	Weighting	
- Cash	2,379,398	0%	-
- Gold	-	0%	-
- Claims on the NBC	2,162,360	0%	-
- Assets collateralised by deposits	-	0%	-
- Claims on sovereigns rated AAA to AA-	-	0%	-
- Claims on sovereigns rated A+ to A-	-	20%	-
- Claims on banks rated AAA to AA-	-	20%	-
- Claims on sovereigns rated BBB to BBB-	-	50%	-
- Claims on banks rated A+ to A-	-	50%	-
- All other assets	<u>177,068,668</u>	100%	<u>177,068,668</u>
	181,610,426		177,068,668

III- Solvency ratio (A/B)

22.47%

(*): The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2009

	<u>KHR'000</u>
1- Numerator: liquid assets	
- Cash on hand	2,379,398
- Balance with the Central Bank	2,162,360
- Balances with other banks	<u>5,443,930</u>
Sub-Total (A)	<u>9,985,688</u>
Less:	
- Amount owed to the Central Bank	-
- Amount owed to other banks	<u>-</u>
Sub-total (B)	<u>-</u>
Net liquidity (A – B)	9,985,688
Plus:	
- Portion of loans outstanding maturing in less than one month	<u>13,065,242</u>
Liquid assets (L)	<u>23,050,930</u>
2- Denominator: Adjusted amount of deposits (A)	
Category of deposits	KHR'000 %
- Voluntary savings	25% <u>2,980,015</u>
LIQUIDITY RATIO (L/A)	<u>773.52%</u>

SCHEDULE 3

NET OPEN POSITION IN FOREIGN CURRENCY AS AT 31 DECEMBER 2009

Currency	Assets KHR'000	Liabilities and capital KHR'000	Net open position (NOP) KHR'000	NOP/ Net worth %	Limit %
US\$	158,153,149	152,077,498	6,075,651	15.27%	20%
KHR	23,090,785	29,166,436	(6,075,651)	-15.27%	20%
Total	181,243,934	181,243,934	-		
Net worth			<u>39,788,735</u>		

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

	<u>KHR'000</u>
1- Voluntary	
1-1 Demand	
1-2 Savings (5%-8% per annum)	6,763,019
1-3 Term	5,157,040
1-4 Other	-
	<hr/>
1-5 Total reservable deposits	11,920,059
	<hr/>
2- Compulsory	
2-1 Program (12% per annum)	
2-2 Program	817,958
2-3 Program	-
	<hr/>
2-4 Total compulsory savings	817,958
	<hr/>
3- Total savings mobilised	12,738,017
	<hr/>
8% Reservable deposits	953,605
	<hr/>

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

Loan classification	Amount KHR'000	Rate %	Mandatory Provision KHR'000
1-Loans of one year or less			
1-1 Standard	39,363,373	0%	-
1-2 Substandard past due ≥ 30 days	32,989	10%	3,298
1-3 Doubtful past due ≥ 60 days	53,092	30%	15,930
1-4 Loss past due ≥ 90 days	754,822	100%	754,822
Sub-total 1	<u>40,204,276</u>		<u>774,050</u>
2-Loans of more than one year			
2-1 Standard	122,570,426	0%	-
2-2 Substandard past due ≥ 30 days	1,416,113	10%	141,617
2-3 Doubtful past due ≥ 180 days	1,232,857	30%	369,861
2-4 Loss past due ≥ 360 days	29,088	100%	29,091
Sub-total 2	<u>125,248,484</u>		<u>540,569</u>
Grand total 1+2	<u>165,452,760</u>		<u>1,314,619</u>
All loans past due > 30 days (A)			3,518,961
Loans outstanding (B)			<u>165,452,760</u>
Delinquency ratio (A/B)			<u>2.13%</u>