

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION)  
TO 31 DECEMBER 2003**

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

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## **BOARD OF DIRECTORS' REPORT**

The Board of Directors submit its report and the audited financial statements of the ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”) or (“the Company”) for the period from 20 May 2003 (date of incorporation) to 31 December 2003.

### **PRINCIPAL ACTIVITIES**

The company commenced to trade on 1 July 2003 when it took over the assets, liabilities and activities of Thanakea Ponleu Thmey (TPT) a programme previously run by Concern Worldwide.

AMK is engaged preliminarily in the provision of micro-finance services to the economically active poor population of Cambodia through its headquarters in Phnom Penh and various province offices in the Kingdom of Cambodia. AMK was wholly owned by Concern Worldwide Ltd.

AMK provides credit services to poor families in the three provinces of Kampong Speu, Pursat and Banteay Meanchey. It has the following main guiding principles:

- AMK will provide loans for productive economic purposes to poor people in Cambodia
- AMK will issue loans that are appropriate to the capacity of the borrowers to repay
- AMK will be grounded in good credit discipline and will operate in a way that empowers group members to make their own decisions
- AMK will be committed to openness and transparency in all areas of management and operations
- AMK will be committed to providing credit and savings services to poor people for productive economic activities in the most appropriate and cost effective way
- AMK will be a learning organization in which appropriate research will contribute to staff development and training and to updating operating policies and systems

Services such as the setting up of village savings funds and the provision of credit for terms of four to twelve months are currently being provided to over 18,423 households.

### **RESULTS**

The results of operations for the period from 20 May 2003 (date of incorporation) to 31 December 2003 are set out in the income statement page 8. AMK commenced trading from 1 July 2003 onwards.

### **BAD AND DOUBTFUL LOANS**

Before the financial statements of AMK were drawn up, the Board of Directors took reasonable steps to ascertain that appropriate actions had been taken in relation to the writing off of bad loans and the making of provision for bad and doubtful loans. They satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

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

## **VALUATION OF ASSETS**

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

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

## **VALUATION METHODS**

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

## **CONTINGENT AND OTHER LIABILITIES**

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

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

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

## **CHANGE OF CIRCUMSTANCES**

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

## **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of AMK for the period from 20 May 2003 (date of incorporation) to 31 December 2003 were not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

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

## BOARD OF DIRECTORS

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

Ms. Theresa McDonnel Fristrom, Chairperson,  
Mr. Pel Piseth, Secretary,  
Ms. Louise Supple,  
Ms. Isabelle Mary Kidney,  
Mr. James Gerard Hynes, and  
Mr. Thomas James O' Higgins

No members held any interest in the equity of AMK. No arrangements existed to which AMK is a party with the object of enabling the members to obtain an interest in AMK or in any body corporate. No member has a benefit, other than remuneration, by reason of a contract made by AMK or related party.

## AUDITORS

The financial statements were audited by PricewaterhouseCoopers (Cambodia) Limited.

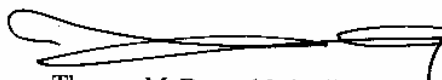
## RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS


The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of AMK as at 31 December 2003, and of the results of its operations for the period. 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 applicable International Financial Reporting Standards or, if there has been any departure in the interests of true and fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that AMK will continue operations in the foreseeable future;
- v) set overall policies for AMK, ratify all decisions and actions by the management that have a material effect on the operations and performance of AMK, and ensure they have been properly reflected in the financial statements.

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

On behalf of the Board of Directors

  
Theresa McDonnel Friström  
Chairperson  
AMK Board of Directors  
Date: 21 May 2004



**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ANGKOR  
MIKROHERANHVATHO (KAMPUCHEA) CO., LTD**

We have audited financial statements of ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK/the Company”) which is owned by Concern Worldwide Ltd for the period from 20 May 2003 (date of incorporation) to 31 December 2003, as set out on pages 6 to 22. These financial statements have been prepared in accordance with International Financial Reporting Standards.

**Respective responsibilities of the Board of Directors and the auditors**

The Board of Directors of AMK is responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit of those financial statements, and to report our opinion to you.

This report, including the opinion, has been prepared solely for the company’s shareholders and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement. It also includes an assessment of the significant estimates and judgments made by the management in the preparation of the financial statements, and of whether the accounting policies are appropriate to AMK’s circumstances, consistently applied and adequately disclosed.



We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion, the financial statements set out in pages 6 to 22 give a true and fair view, in all material respects, of the financial position of AMK as at 31 December 2003 and of the results of its operations and its cash flows for the period from 20 May 2003 (date of incorporation) to 31 December 2003 in accordance with International Financial Reporting Standards.

## Emphasis of matter

We draw attention to Note 2 to the financial statements. Each balance of the financial statements was translated into Khmer Riel at the official rate of exchange as at the reporting date as regulated by the NBC, in accordance with Announcement No. B795-139-AN issued on 5 December 1995 by the NBC. The financial statements which were expressed in Khmer Riel do not form part of the audited financial statements and, we therefore, do not express an opinion on the financial statements expressed in Khmer Riel.



Richard Peters  
Partner

PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED  
Phnom Penh, Kingdom of Cambodia  
Date: 21 May 2004

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**BALANCE SHEET  
AS AT 31 DECEMBER 2003**

|   |             | <b>31 December 2003</b>        |                                |
|---|-------------|--------------------------------|--------------------------------|
|   | <b>Note</b> | <b>US\$</b>                    | <b>RIEL '000</b>               |
| <b>ASSETS</b>                           |             |                                |                                |
| Cash on hand and at banks               | 3           | 341,823                        | 1,410,704                      |
| Loans to customers, net                 | 4           | 810,143                        | 3,343,460                      |
| Interest receivable                     | 5           | 2,978                          | 12,290                         |
| Other debtors                           | 6           | 63,422                         | 261,743                        |
| Property, plant and equipment           | 7           | <u>120,519</u>                 | <u>497,382</u>                 |
| <b>TOTAL ASSETS</b>                     |             | <u><u>1,338,885</u></u>        | <u><u>5,525,579</u></u>        |
| <b>LIABILITIES AND EQUITY</b>           |             |                                |                                |
| <b>LIABILITIES</b>                      |             |                                |                                |
| Provision for redundancy                | 8           | 10,027                         | 41,381                         |
| Accruals                                | 9           | <u>33,600</u>                  | <u>138,668</u>                 |
| <b>TOTAL LIABILITIES</b>                |             | <u><u>43,627</u></u>           | <u><u>180,049</u></u>          |
| <b>EQUITY</b>                           |             |                                |                                |
| Share capital                           | 10          | 1,356,716                      | 5,599,167                      |
| Retained earnings                       |             | <u>(61,458)</u>                | <u>(253,637)</u>               |
| <b>TOTAL EQUITY</b>                     |             | <u><u>1,295,258</u></u>        | <u><u>5,345,530</u></u>        |
| <b>TOTAL LIABILITIES<br/>AND EQUITY</b> |             | <u><u><u>1,338,885</u></u></u> | <u><u><u>5,525,579</u></u></u> |

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

|                                     | <b>Note</b> | <b>Share<br/>capital<br/>US\$</b> | <b>Retained<br/>earnings<br/>US\$</b> | <b>Total<br/>US\$</b> | <b>Total<br/>RIEL '000</b> |
|-------------------------------------|-------------|-----------------------------------|---------------------------------------|-----------------------|----------------------------|
| <b>2003</b>                         |             |                                   |                                       |                       |                            |
| Initial registered share capital    |             | 62,672                            | -                                     | 62,672                | 258,647                    |
| Transferred from TPT on 1 July 2003 |             | 788,099                           | -                                     | 788,099               | 3,252,485                  |
| Increase in paid up share capital   |             | 505,945                           | -                                     | 505,945               | 2,088,035                  |
| Net loss for the period             |             | -                                 | (61,458)                              | (61,458)              | (253,637)                  |
| As at 31 December 2003              | 10          | <u>1,356,716</u>                  | <u>(61,458)</u>                       | <u>1,295,258</u>      | <u>5,345,530</u>           |

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**INCOME STATEMENT**

**FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

|                                      |             | <b>For the period from 20 May<br/>2003 (date of incorporation)<br/>to 31 December 2003</b> |                  |
|--------------------------------------|-------------|--|------------------|
|                                      | <b>Note</b> | <b>US\$</b>  | <b>Riel '000</b> |
| <b>INCOME</b>                        |             |  |                  |
| Interest income, net                 | 11          | 137,940  | 569,278          |
| Fee income                           |             | 766  | 3,161            |
| Other income                         | 12          | 11,448   | 47,247           |
|                                      |             | <u>150,154</u>   | <u>619,686</u>   |
| <b>EXPENDITURE</b>                   |             |  |                  |
| Staff costs                          | 13          | 87,796   | 362,334          |
| Administrative expenses              | 14          | 48,044   | 198,278          |
| Transport costs                      | 15          | 11,091   | 45,773           |
| Village bank support                 | 16          | 12,316   | 50,828           |
| Technical support costs              | 17          | 18,000   | 74,286           |
| Provision for bad and doubtful loans | 4           | 32,921   | 135,865          |
|                                      |             | <u>210,168</u>   | <u>867,364</u>   |
| <b>LOSS BEFORE TAXATION</b>          |             | 60,014   | 247,678          |
| Income tax expense                   | 18          | 1,444  | 5,959            |
| <b>NET LOSS FOR THE PERIOD</b>       |             | <u>61,458</u>  | <u>253,637</u>   |

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**CASH FLOW STATEMENT**

**FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

|   | <b>Note</b> | <b>For the period from 20 May<br/>2003 (date of incorporation)<br/>to 31 December 2003</b> |                    |
|---|-------------|--|--------------------|
|   |             | <b>US\$</b>  | <b>Riel '000</b>   |
| <b>Cash flows from operating activities</b>         |             |  |                    |
| Loss before taxation                                |             | (60,014)   | (247,678)          |
| <i>Adjustments for:</i>                             |             |  |                    |
| Provision for loan losses                           | 4           | 33,187   | 136,963            |
| Depreciation  | 7           | 19,305   | 79,672             |
| <i>Changes in operating assets and liabilities:</i> |             |  |                    |
| Loans to customers-gross                            |             | (843,330)  | (3,480,423)        |
| Interest receivable                                 |             | (2,978)  | (12,290)           |
| Other receivable                                    |             | (63,422)   | (261,743)          |
| Provision for redundancy and accruals               |             | 43,627   | 180,049            |
| Tax paid  |             | (1,444)  | (5,959)            |
|   |             | <u>(875,069)</u>   | <u>(3,611,410)</u> |
| Net cash outflow from operating activities          |             |  |                    |
| <b>Cash flows from investing activity</b>           |             |  |                    |
| Fixed assets transferred from TPT                   |             | (78,676)   | (324,696)          |
| Purchase of fixed assets                            |             | (61,148)   | (252,358)          |
|   |             | <u>(139,824)</u>   | <u>(577,054)</u>   |
| <b>Cash flows from financing activity</b>           |             |  |                    |
| Increase in paid up share capital                   |             | <u>1,356,716</u>   | <u>559,9168</u>    |
| NET INCREASE IN CASH ON HAND AND AT BANKS           |             | 341,823  | 1,410,704          |
| CASH ON HAND AND AT BANKS AT END THE PERIOD         | 3           | <u>341,823</u>   | <u>1,410,704</u>   |

The accompanying notes on pages 10 to 21 form an integral part of these financial statements.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

**1. BACKGROUND INFORMATION**

ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”) or (“the Company”), a licensed micro-finance institution (“MFI”), was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under register number Co-1698/03E dated 30 April 2003. AMK is engaged preliminarily in the provision of micro-finance services to economically active poor population of Cambodia through its headquarters in Phnom Penh and various province offices in the Kingdom of Cambodia. AMK is wholly owned by Concern Worldwide Ltd.

The MFI was initially established in 1999 as Thanakea Ponleu Thmey (“TPT”) Program by Concern Worldwide Cambodia (“CWC”). All assets, liabilities and accumulated donations of TPT were transferred to AMK on 1 July 2003 against the issue of additional shares. AMK commenced to trade on the date of the asset transfer.

The National Bank of Cambodia (“NBC”) granted AMK a license to conduct business as a micro-finance institution for a three-year period commencing from 18 May 2004 to 18 May 2007.

The Company provides credit services to poor families in the three provinces of Kampong Speu, Pursat and Banteay Meanchey. It has the following main guiding principles:

- AMK will provide loans for productive economic purposes to poor people in Cambodia
- AMK will issue loans that are appropriate to the capacity of the borrowers to repay
- AMK will be grounded in good credit discipline and will operate in a way that empowers group members to make their own decisions
- AMK will be committed to openness and transparency in all areas of management and operations
- AMK will be committed to providing credit and savings services to poor people for productive economic activities in the most appropriate and cost effective way
- AMK will be a learning organization in which appropriate research will contribute to staff development and training and to updating operating policies and systems

Services such as the setting up of village savings funds and the provision of credit for terms of 4 to 12 months, are currently being provided to over 18,423 households.

As at 31 December 2003, the Company had 66 employees. The Company’s head office is at number 174, Street 370, Quarter Boueng Keng Kang I, District Chamka Mon, Phnom Penh, Cambodia.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below:

***Basis of preparation***

The financial statements, have been prepared in United States Dollar (“US\$”), using the historical cost convention. The Company maintains its accounting records in US\$, the functional and widely accepted and used currency in the Kingdom of Cambodia. The form and content of the financial statements reflect the reporting requirements applicable under International Financial Reporting Standards.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

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

***Basis of preparation (continued)***

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the National Bank of Cambodia (“the NBC”), each account of the financial statements has to be translated into Khmer Riel (“Riel”) at the official rate of exchange regulated by the NBC as at reporting date. This translation is not in accordance with International Financial Reporting Standards. Therefore, the financial statements expressed in Riel do not form part of the audited financial statements and are not for the use of any parties other than the NBC. As at 31 December 2003, this translation was made at the rate of US\$ 1 to Riel 4,127.

***Basis of aggregation***

The financial statements include the financial statements of the Head Office, and AMK’s three provincial branches, in the provinces of Kampong Speu, Pursat and Banteay Meanchey. On aggregation of balances, all significant inter-branch balances and transactions are eliminated in full.

The significant accounting policies adopted in the preparation of these financial statements are set out below:

***Loans***

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

The adequacy of the provision for bad and doubtful loans is evaluated quarterly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms. The provision for doubtful loans charged to expense is based on management’s judgment of the amount necessary to maintain the provision balance at a level adequate to absorb losses.

Specific provision has been made in full for past due loans that remained uncollected as at the date of this report. A general provision is set at the following rates:

- 100% of all outstanding loans which are overdue more than one year as at period ended, and
- 60% of all outstanding loan capital disbursed in 2002 which is overdue less than one year as at period ended, and
- 2.5% of all outstanding loan capital disbursed in 2003 which is not yet overdue as at period ended.

The amount of provision established by the Company as at balance sheet date is in full compliance with the requirement of NBC Prakas No B-7-02-186 on classification of and provisioning for bad and doubtful debts, including interest in suspense. The provision established as at balance sheet date in excess of the requirement of this Prakas amounted to US\$13,671 approximately Riel 56,420 million.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

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

Any uncollectible loans or portion of loans classified as bad and/or doubtful are written off when in the judgment of management there is no prospect of recovery. To the extent losses were previously provided on loans to be written off, write-offs are charged against the corresponding provision. The portion of loss not previously recognised is directly charged to the income statement.

***Property, plant and equipment***

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is provided on a straight-line basis so as to allocate the cost of assets over their estimated useful lives, as follows:

|                    |         |
|--------------------|---------|
| Vehicles           | 4 years |
| Motorbikes         | 4 years |
| Computer equipment | 4 years |

***Provision for redundancy***

Redundancy allowances for AMK employees are provided by the Company on a pro-rata basis, at the rate of one month's salary for every year worked for AMK. No separate fund is maintained, i.e, there is no separate interest-bearing bank account or any other asset for the fund.

These obligations will be fully paid to the employee:

- i) when they reach a retirement age of 60 years,
  - or,
  - ii) if they resign before reaching retirement age, are entitled to the following benefit:
- | <i>Number of working years</i> | <i>Percentage (%) of total pension provided for the employee</i> |
|--------------------------------|--|
| Less than 1 year               | -  |
| 1 to 2 years                   | 20   |
| 3 to 4 years                   | 30   |
| 5 years upward                 | 50   |

or,

- iii) if they are made redundant by AMK.

***Revenue and expense recognition***

***Interest income***

Interest earned on loans is recognised on an accruals basis taking into consideration the principal amount of loans outstanding. Interest on loans is calculated using the simple interest method based on the beginning of the month balances of the principal amount outstanding.

Interest will continue to be calculated as long as a client has a principal amount owing to AMK. However, if management doubts the collectability of interest on a loan, it will be included in the provision for interest losses.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

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

***Revenue and expense recognition (continued)***

A general provision is set at the following rates:

- 100% of interest receivable which is overdue more than one year as at the period end,
- 60% of interest receivable which is overdue less than one year as at period ended, and
- 2.5% of interest receivable which is not yet overdue as at period ended.

***Member fees***

Loan arrangement fees are recognised as income when the loan is disbursed to each group member for amounts over US\$ 50. The charge is based on the amount lent where the charges range from Riel 3,000 to Riel 16,000.

***Expenses***

Expenses are recognised on an accruals basis.

***Taxation***

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

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The principal temporary difference arises from tax losses carried forward.

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

***Foreign currency translations***

The Program has three operating currencies. Expenditure is primarily denominated in US\$, while lending and income sources are denominated in:

- Khmer Riel (“KHR”) in Kampong Speu and Pursat provinces, and
- Thai Baht (“THB”) in Banteay Meanchey province.

Monetary assets and liabilities in currencies other than US\$ are translated into US\$ at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than US\$ are translated into US\$ at the rates of exchange prevailing on the transaction dates. Exchange differences are dealt with in the income statement.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD  
(WHOLLY OWNED BY CONCERN WORLDWIDE LTD)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 20 MAY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003**

**3. CASH ON HAND AND AT BANKS**

|               | <b>31 December 2003</b> |                  |
|---------------|-------------------------|------------------|
|               | <b>US\$</b>             | <b>Riel '000</b> |
| Cash in hand  | 24,327                  | 100,398          |
| Cash at banks | 317,496                 | 1,310,306        |
|               | <u>341,823</u>          | <u>1,410,704</u> |

**4. LOANS TO CUSTOMERS, NET**

|   | <b>31 December 2003</b> |                  |
|---|-------------------------|------------------|
|   | <b>US\$</b>             | <b>Riel '000</b> |
| Loans                                       | 843,330                 | 3,480,423        |
| Provision for loan losses during the period | (33,187)                | (136,963)        |
|   | <u>(33,187)</u>         | <u>(136,963)</u> |
|   | <u>810,143</u>          | <u>3,343,460</u> |

Further analysis of the above loans is as follows:

*By currency*

|                     |                |                  |
|---------------------|----------------|------------------|
| Loan in US\$        | 2,000          | 8,254            |
| Loans in Khmer Riel | 436,349        | 1,800,812        |
| Loans in Thai Baht  | 404,981        | 1,671,357        |
|                     | <u>843,330</u> | <u>3,480,423</u> |

All loans are group loans and no collateral is required on these loans. The interest rate is charged at 3% per month on the principal balance outstanding and interest repayments are made on monthly basis.

The loan term is 12 months. Principal repayments are made either on monthly installments or at the end of the term.

The details of gross loans to customers by location are as follows:

|                  | <b>31 December 2003</b> |                  |
|------------------|-------------------------|------------------|
|                  | <b>US\$</b>             | <b>Riel '000</b> |
| Banteay Meanchey | 404,981                 | 1,671,357        |
| Kompong Speu     | 254,520                 | 1,050,404        |
| Pursat           | 181,829                 | 750,408          |
| Head office      | 2,000                   | 8,254            |
|                  | <u>843,330</u>          | <u>3,480,423</u> |

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**5. INTEREST RECEIVABLE, NET**

|                                       | <b>31 December 2003</b> |                  |
|---------------------------------------|-------------------------|------------------|
|                                       | <b>US\$</b>             | <b>Riel '000</b> |
| Interest receivable                   | 6,404                   | 26,429           |
| <i>Provision for interest losses:</i> |                         |                  |
| Provision during the period           | <u>(3,426)</u>          | <u>(14,139)</u>  |
| Net                                   | <u>2,978</u>            | <u>12,290</u>    |

**6. OTHER ASSETS**

|   | <b>31 December 2003</b> |                  |
|---|-------------------------|------------------|
|   | <b>US\$</b>             | <b>Riel '000</b> |
| Unpaid share capital from shareholder (CWC) | 62,672                  | 258,648          |
| Prepayments                                 | <u>750</u>              | <u>3,095</u>     |
|   | <u>63,422</u>           | <u>261,743</u>   |

**7. PROPERTY, PLANT AND EQUIPMENT**

|   | <b>Vehicles</b> | <b>Motor<br/>bikes</b> | <b>Computer<br/>equipment</b> | <b>Total</b>   |
|---|-----------------|------------------------|-------------------------------|----------------|
|   | <b>US\$</b>     | <b>US\$</b>            | <b>US\$</b>                   | <b>US\$</b>    |
| <b>Cost</b>                             |                 |                        |                               |                |
| Transferred from TPT on 1 July 2003 (a) | 54,888          | 8,589                  | 15,199                        | 78,676         |
| Acquired during the period              | <u>27,500</u>   | <u>13,907</u>          | <u>19,741</u>                 | <u>61,148</u>  |
| At 31 December 2003                     | <u>82,388</u>   | <u>22,496</u>          | <u>34,940</u>                 | <u>139,824</u> |
| <b>Accumulated depreciation</b>         |                 |                        |                               |                |
| Charge for the period                   | <u>12,864</u>   | <u>3,037</u>           | <u>3,404</u>                  | <u>19,305</u>  |
| At 31 December 2003                     | <u>12,864</u>   | <u>3,037</u>           | <u>3,404</u>                  | <u>19,305</u>  |
| <b>Net book value</b>                   |                 |                        |                               |                |
| At 31 December 2003                     | <u>69,524</u>   | <u>19,459</u>          | <u>31,536</u>                 | <u>120,519</u> |

(a) CWC transferred all the property, plant and equipment owned by TPT as at 30 June 2003 to AMK. These assets were transferred at their respective net book values records in TPT's accounts.

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**8. PROVISION FOR REDUNDANCY**

|                            | <b>31 December 2003</b> |                  |
|----------------------------|-------------------------|------------------|
|                            | <b>US\$</b>             | <b>Riel '000</b> |
| Transferred from TPT       | 6,332                   | 26,132           |
| Addition during the period | 3,695                   | 15,249           |
|                            | <u>10,027</u>           | <u>41,381</u>    |

**9. ACCRUALS**

|                               | <b>31 December 2003</b> |                  |
|-------------------------------|-------------------------|------------------|
|                               | <b>US\$</b>             | <b>Riel '000</b> |
| Technical support costs       | 18,000                  | 74,286           |
| Bonus                         | 8,311                   | 34,299           |
| Audit fees                    | 2,850                   | 11,762           |
| Provision for withholding tax | 1,942                   | 8,015            |
| Others                        | 2,497                   | 10,306           |
|                               | <u>33,600</u>           | <u>138,668</u>   |

**10. CAPITAL**

On 1 July 2003, Concern Worldwide LTD entered into a consideration agreement between ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”), a registered Micro Finance Institution which is wholly owned by Concern Worldwide LTD. The two parties agreed to transfer the TPT’s net assets of US\$788,099 to AMK on 1 July 2003 with no gains or losses in association with the consideration. The details of net assets transferred are as follows:

|                               | <b>Transferred on 1 July 2003</b> |                  |
|-------------------------------|-----------------------------------|------------------|
|                               | <b>US\$</b>                       | <b>Riel '000</b> |
| <b><u>Assets</u></b>          |                                   |                  |
| Cash on hand and at bank      | 27,307                            | 112,696          |
| Prepayments                   | 23,378                            | 96,481           |
| Loan to customers, net        | 667,926                           | 2,756,531        |
| Property, plant and equipment | 78,676                            | 324,696          |
| Total assets                  | <u>797,287</u>                    | <u>3,290,404</u> |
| <b><u>Liabilities</u></b>     |                                   |                  |
| Accruals                      | 9,188                             | 37,919           |
| Total liabilities             | <u>9,188</u>                      | <u>37,919</u>    |
| Net assets                    | <u>788,099</u>                    | <u>3,252,485</u> |

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**10. CAPITAL (Continued)**

The share capital of the Company is Riel 5,436,375,000 being 217,455 shares valued at 25,000 Riel. The shareholding of the Company is as follows:

|  | Number of shares | 31 December 2003 |                  |
|--|------------------|------------------|------------------|
|  |                  | US\$             | Riel'000         |
| Concern Worldwide                          | 217,355          | 1,356,092        | 5,433,875        |
| Concern Worldwide (UK)                     | 100              | 624              | 2,500            |
|  | <u>217,455</u>   | <u>1,356,716</u> | <u>5,436,375</u> |
| Currency revaluation at balance sheet date | -                | -                | 162,792          |
|  | <u>217,455</u>   | <u>1,356,716</u> | <u>5,599,167</u> |

**11. INTEREST INCOME**

|  | For the period ended 31<br>December 2003 |                 |
|--|--|-----------------|
|  | US\$                                     | Riel '000       |
| Gross interest income                        | 141,366                                  | 583,417         |
| Provision for doubtful interest (see note 5) | <u>(3,426)</u>                           | <u>(14,139)</u> |
|  | <u>137,940</u>                           | <u>569,278</u>  |

**12. OTHER INCOME**

Other income represents the bad debt recovered on loans previously written off.

**13. STAFF COSTS**

|                      | For the period ended 31<br>December 2003 |                |
|----------------------|--|----------------|
|                      | US\$                                     | Riel '000      |
| Local staff salary   | 84,106                                   | 347,105        |
| Per diems/allowances | 2,763                                    | 11,403         |
| Medical expenses     | <u>927</u>                               | <u>3,826</u>   |
|                      | <u>87,796</u>                            | <u>362,334</u> |

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**14. ADMINISTRATION EXPENSE**

|  | <b>For the period ended 31<br/>December 2003</b> |                  |
|--|--|------------------|
|  | <b>US\$</b>                                      | <b>Riel '000</b> |
| Depreciation                           | 19,305   | 79,671           |
| Office rental                          | 9,804  | 40,461           |
| Office supplies and equipments         | 5,715  | 23,586           |
| Utilities                              | 4,251  | 17,544           |
| Communication                          | 3,519  | 14,523           |
| Professional service                   | 3,745  | 15,456           |
| Provision for withholding tax expenses | 1,942  | 8,015            |
| Repair and maintenance                 | 1,226  | 5,060            |
| Recruitment                            | 815  | 3,364            |
| Entertainment                          | 666  | 2,749            |
| Unrealised gain on exchanges           | (6,781)  | (27,985)         |
| Others                                 | 3,837  | 15,834           |
|  | <u>48,044</u>                                    | <u>198,278</u>   |

**15. TRANSPORT COSTS**

|                        | <b>For the period ended 31<br/>December 2003</b> |                  |
|------------------------|--|------------------|
|                        | <b>US\$</b>                                      | <b>Riel '000</b> |
| Fuel costs             | 4,774  | 19,702           |
| Repair and maintenance | 2,976  | 12,282           |
| Tax and insurance      | 1,472  | 6,075            |
| Internal flights       | 1,218  | 5,027            |
| Vehicle hire           | 413  | 1,705            |
| Others                 | 238  | 982              |
|                        | <u>11,091</u>                                    | <u>45,773</u>    |

**16. VILLAGE BANK SUPPORT**

Village Bank Support cost represents the payments towards the village bank committee incentive, village bank training and material and other costs related to the village bank.

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**17. TECHNICAL SUPPORT**

AMK's Chief Executive Officer (CEO), finance manager and training manager are paid directly by Concern Worldwide Ltd for the period from 20 May 2003 to 31 December 2003. AMK is charged US\$9,000 for the services of the CEO, US\$4,500 for the finance manager and US\$4,500 for the training manager.

**18. INCOME TAX EXPENSE**

Taxation expense represents the Minimum Tax. The Minimum Tax is calculated at the rate of 1% of the annual turnover inclusive of all taxes. Should the Company have a Tax on Profit liability that exceeds the Minimum Tax liability, no Minimum Tax will be payable. The tax is payable even if the Company is in a tax loss situation.

The Company has tax losses of approximately US\$43,260 available to be offset against profits arising in future years. The Company can carry forward tax losses for 5 years subject to certain criteria. A deferred tax asset is, however, not recognised in the financial statements as it is probable that the Cambodian Tax Department may issue a Unilateral tax reassessment, the result being losing the ability to utilise the tax losses in the year of reassessment.

**19. CURRENCY ANALYSIS**

An analysis of AMK's assets and liabilities by currency are as follows:

|  | <u>US\$</u>    | <u>Thai Baht</u> | <u>Riel</u>    | <u>Total<br/>US\$</u> | <u>Total<br/>Riel'000</u> |
|--|----------------|------------------|----------------|-----------------------|---------------------------|
| <i>31 December 2003</i>                      |                |                  |                |                       |                           |
| <b>ASSETS</b>                                |                |                  |                |                       |                           |
| Cash on hand and at banks                    | 217,431        | 88,673           | 35,719         | 341,823               | 1,410,704                 |
| Loans to customers, net                      | 2,000          | 390,386          | 417,757        | 810,143               | 3,343,460                 |
| Interest receivable                          | -              | 1,180            | 1,798          | 2,978                 | 12,290                    |
| Other debtors                                | 2,750          | -                | 60,672         | 63,422                | 261,743                   |
| Property and equipment                       | 120,519        | -                | -              | 120,519               | 497,382                   |
| <b>Total Assets</b>                          | <u>342,700</u> | <u>480,239</u>   | <u>515,946</u> | <u>1,338,885</u>      | <u>5,525,579</u>          |
| <b>LIABILITIES</b>                           |                |                  |                |                       |                           |
| Provision for redundancy                     | 10,027         | -                | -              | 10,027                | 41,381                    |
| Accruals                                     | 33,600         | -                | -              | 33,600                | 138,668                   |
| <b>Total Liabilities</b>                     | <u>43,627</u>  | <u>-</u>         | <u>-</u>       | <u>43,627</u>         | <u>180,049</u>            |
| <b><i>Net asset (liability) position</i></b> | <u>299,073</u> | <u>480,239</u>   | <u>515,946</u> | <u>1,295,258</u>      | <u>5,345,530</u>          |

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**20. MATURITY PROFILE**

The maturity profile of assets and liabilities are as follows:

|   | Total            | Less than<br>1 month | From 1<br>month to<br>3 months | From<br>3 months<br>to 1 year | From<br>1 year to<br>5 years | Over<br>5 years | No fixed<br>maturity<br>date |
|---|------------------|----------------------|--------------------------------|-------------------------------|------------------------------|-----------------|------------------------------|
| <i>31 December 2003</i>                   | US\$             | US\$                 | US\$                           | US\$                          | US\$                         | US\$            | US\$                         |
| <b>ASSETS</b>                             |                  |                      |                                |                               |                              |                 |                              |
| Cash on hand and at banks                 | 341,823          | 341,823              | -                              | -                             | -                            | -               | -                            |
| Loans to customers, net                   | 810,143          | 34,048               | 216,870                        | 559,225                       | -                            | -               | -                            |
| Interest receivable                       | 2,978            | 2,978                | -                              | -                             | -                            | -               | -                            |
| Other debtors                             | 63,422           | -                    | 63,422                         | -                             | -                            | -               | -                            |
| Property and equipment                    | 120,519          | -                    | -                              | 63                            | 120,456                      | -               | -                            |
| <b>Total Assets</b>                       | <b>1,338,885</b> | <b>378,849</b>       | <b>280,292</b>                 | <b>559,288</b>                | <b>120,456</b>               | <b>-</b>        | <b>-</b>                     |
| <b>LIABILITIES</b>                        |                  |                      |                                |                               |                              |                 |                              |
| Provision for redundancy                  | 10,027           | -                    | -                              | -                             | -                            | -               | 10,027                       |
| Accruals                                  | 33,600           | -                    | 15,600                         | 18,000                        | -                            | -               | -                            |
| <b>Total Liabilities</b>                  | <b>43,627</b>    | <b>-</b>             | <b>15,600</b>                  | <b>18,000</b>                 | <b>-</b>                     | <b>-</b>        | <b>10,027</b>                |
| <b><i>Net liquidity surplus/(gap)</i></b> | <b>1,295,258</b> | <b>378,849</b>       | <b>264,692</b>                 | <b>541,288</b>                | <b>120,456</b>               | <b>-</b>        | <b>(10,027)</b>              |

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**21. LEASE COMMITMENTS**

The AMK has lease commitments for the lease of its headquarters and provincial offices as follows:

|                        | <b>31 December 2003</b> |                  |
|------------------------|-------------------------|------------------|
|                        | <b>US\$</b>             | <b>Riel '000</b> |
| Not more than one year | <u>9,780</u>            | <u>40,362</u>    |
|                        | <u>9,780</u>            | <u>40,362</u>    |