

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

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*** This Appendix does not form part of the financial statements**



អង្គរ មីក្រូហិរញ្ញវត្ថុ (កម្ពុជា)

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BOARD OF DIRECTORS' REPORT

The Board of Directors submits its report and the audited financial statements of the ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”) for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

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

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

- AMK will provide micro-finance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- AMK will be committed to openness and transparency in all areas of management and operations
- AMK will be committed to developing processes/services and to adopting behaviors and standards that ensure client protection.
- AMK will be a learning organization where appropriate exchange and sharing of information will contribute to staff development, training and in policy & systems improvements.

Services such as provision of credit are currently being provided to over 35,000 households (approximately 36,267 borrowers including 46 staff loan). There are five types of loans in addition to two savings products:

- Terms of three to twenty-four months for group loans (end of term loan, credit line and instalments loan)
- Terms of three to eighteen months for individual instalment loans
- Emergency loans of up to ten month term
- Loan linked savings for individual instalments loans
- General savings for members

RESULTS

The results of operations for the year ended 31 December 2005 are set out in the income statement on page 8.

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 realized 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 realize.

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 period 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 period 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 year ended 31 December 2005 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:

Mr. Thomas James O' Higgins, Chairperson,
Mr. Pel Piseth, Secretary,
Ms. Louise Supple,
Ms. Isabelle Mary Kidney,
Mr. James Gerard Hynes,
Mr. Gerhard Bruckermann,
Mr. Tanmay Chetan,
Mr. Adam Mooney

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 2005, 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 Cambodian Accounting Standards and the disclosure requirements of the National Bank of Cambodia ("Central Bank") 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.

**RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF
THE FINANCIAL STATEMENTS** (continued)

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

On behalf of the Board of Directors



Thomas James O' Higgins
Chairperson
AMK Board of Directors

Date: 30 March 2006

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

We have audited the accompanying balance sheet of ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”) as of 31 December 2005, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

This report, including the opinion, has been prepared for and only for the shareholders of AMK 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the year ended 2005, each balance of the financial statements was translated into United States Dollars (“USD”) at the official rate of exchange as at the reporting date as regulated by the National Bank of Cambodia (“the Central Bank”), purely for presenting by the Board of Directors. The financial statements which were expressed in USD do not form part of the audited financial statements and therefore we do not express an opinion on the financial statements expressed in USD.

For the year ended 2004, 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 National Bank of Cambodia (“the Central Bank”), in accordance with Announcement No. B795-139-AN issued on 5 December 1995. The financial statements which were expressed in Khmer Riel do not form part of the audited financial statements and therefore we do not express an opinion on the financial statements expressed in Khmer Riel.

In our opinion, the financial statements set out on page 6 to page 35 give a true and fair view, in all material respects, of the financial position of the Company as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and guidelines issued by the Central Bank.



Senaka Fernando
Authorised signatory
PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED
Date: 30 March 2006
Phnom Penh, Kingdom of Cambodia

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

**BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Note	31 December 2005		31 December 2004	
		RIEL'000	US\$ Unaudited (At year-end exchange rate)	RIEL'000 Unaudited (At year-end exchange rate)	US\$
ASSETS					
Cash on hand	3	67,790	16,486	56,022	13,884
Balances with banks	4	1,807,370	439,536	2,961,278	733,898
Balances with Central Bank	5	509,000	123,784	271,999	67,410
Loans and advances to customers	6	10,070,681	2,449,096	4,704,334	1,165,882
Interest receivable	7	160,951	39,142	78,908	19,556
Other assets	8	81,509	19,822	101,965	25,270
Intangible assets	9	25,318	6,157	25,283	6,266
Property, plant and equipment	10	468,453	113,923	514,309	127,462
TOTAL ASSETS		<u>13,191,072</u>	<u>3,207,946</u>	<u>8,714,098</u>	<u>2,159,628</u>
LIABILITIES AND EQUITY					
LIABILITIES					
Customers deposit	11	46,996	11,429	14,114	3,498
Borrowings	12	2,846,581	692,262	-	-
Accruals	13	269,627	65,571	282,240	69,948
Provision for retirement benefits	14	209,325	50,906	103,384	25,622
TOTAL LIABILITIES		<u>3,372,529</u>	<u>820,168</u>	<u>399,738</u>	<u>99,068</u>
EQUITY					
Share capital	15	10,148,925	2,468,124	8,702,224	2,156,685
Accumulated losses		<u>(330,382)</u>	<u>(80,346)</u>	<u>(387,864)</u>	<u>(96,125)</u>
TOTAL EQUITY		<u>9,818,543</u>	<u>2,387,778</u>	<u>8,314,360</u>	<u>2,060,560</u>
TOTAL LIABILITIES AND EQUITY		<u>13,191,072</u>	<u>3,207,946</u>	<u>8,714,098</u>	<u>2,159,628</u>

The accompanying notes on pages 10 to 35 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 YEAR ENDED 31 DECEMBER 2005**

	Note	Share capital Riel'000	Accumulated losses Riel'000	Total Riel'000	Total US\$
As at 1 January 2004		5,474,349	(247,983)	5,226,366	1,295,258
Increase in paid up share capital		3,227,875	-	3,227,875	799,969
Net loss for the year		-	(139,881)	(139,881)	(34,667)
As at 31 December 2004	15	<u>8,702,224</u>	<u>(387,864)</u>	<u>8,314,360</u>	<u>2,060,560</u>
As at 1 January 2005		8,702,224	(387,864)	8,314,360	2,060,560
Increase in paid up share capital		1,446,701	-	1,446,701	351,824
Net loss for the year		-	57,482	57,482	13,979
Currency valuation at balance sheet date		-	-	-	(38,585)
As at 31 December 2005	15	<u>10,148,925</u>	<u>(330,382)</u>	<u>9,818,543</u>	<u>2,387,778</u>

The accompanying notes on pages 10 to 35 form an integral part of these financial statements.

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

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	31 December 2005		31 December 2004	
		Riel'000	US\$	Riel'000	US\$
			Unaudited (At year-end exchange rate)	Unaudited (At year-end exchange rate)	
INCOME					
Interest income	17	2,796,013	679,964	1,629,345	403,803
Interest expense		<u>(3,711)</u>	<u>(902)</u>	<u>(452)</u>	<u>(112)</u>
Net interest income		2,792,302	679,062	1,628,893	403,691
Commission expenses	18	(121,504)	(29,549)	(83,876)	(20,787)
Loan fee income	19	59,465	14,461	30,646	7,595
Unrealised gain on foreign exchange, net		(36,868)	(8,966)	115,611	28,652
Other operating income	20	<u>44,822</u>	<u>10,900</u>	<u>90,969</u>	<u>22,545</u>
Operating income		2,738,217	665,908	1,782,243	441,696
EXPENDITURE					
Staff costs	21	1,553,152	377,712	1,043,871	258,704
Administrative expenses	22	842,747	204,948	575,503	142,628
Transport costs	23	159,772	38,855	115,340	28,585
Technical support costs	24	111,024	27,000	108,945	27,000
Provision for bad and doubtful loans	6(f)	<u>(14,963)</u>	<u>(3,639)</u>	<u>61,094</u>	<u>15,141</u>
		2,651,732	644,876	1,904,753	472,058
NET PROFIT/(LOSS) BEFORE TAXATION		86,485	21,032	(122,510)	(30,362)
Income tax expense	25	<u>(29,003)</u>	<u>(7,053)</u>	<u>(17,371)</u>	<u>(4,305)</u>
NET PROFIT/(LOSS) FOR THE YEAR		<u>57,482</u>	<u>13,979</u>	<u>(139,881)</u>	<u>(34,667)</u>

The accompanying notes on pages 10 to 35 form an integral part of these financial statements.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	31 December 2005		31 December 2004	
		Riel'000	US\$ Unaudited (At year-end exchange rate)	Riel'000 Unaudited (At year-end exchange rate)	US\$
Cash flows from operating activity					
Net cash used in operation	26	(5,031,416)	(1,223,593)	(1,332,119)	(330,141)
Tax paid		(29,003)	(7,053)	(17,371)	(4,305)
Cash flows from investing activity					
Purchase of intangible assets		(24,225)	(5,891)	(16,140)	(4,000)
Purchase of property, plant and equipment		(114,793)	(27,917)	(232,642)	(57,656)
Proceeds from sale of property, plant and equipment		-	-	2,687	666
		<u>(139,018)</u>	<u>(33,808)</u>	<u>(246,095)</u>	<u>(60,990)</u>
Cash flows from financing activity					
Proceeds from borrowings		2,846,581	692,262	-	-
Increase in paid up share capital		<u>1,446,701</u>	<u>351,824</u>	<u>3,227,879</u>	<u>799,970</u>
		<u>4,293,282</u>	<u>1,044,086</u>	<u>3,227,879</u>	<u>799,970</u>
Net increase in cash and cash equivalents		(877,152)	(213,315)	1,638,229	406,004
Cash and cash equivalents at beginning of year		3,017,482	747,827	1,410,704	341,823
Currency revaluation at balance sheet date		<u>(27,989)</u>	<u>(20,810)</u>	<u>(31,451)</u>	<u>-</u>
Cash and cash equivalents at end of year	16	<u>2,112,341</u>	<u>513,702</u>	<u>3,017,482</u>	<u>747,827</u>

The accompanying notes on pages 10 to 35 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 YEAR ENDED 31 DECEMBER 2005**

1. BACKGROUND INFORMATION

ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD (“AMK”), 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 primarily in the provision of micro-finance services to economically active poor population of Cambodia through its headquarters in Phnom Penh and various provincial 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 shares. AMK commenced to trade on the date of the asset transfer.

The Central Bank 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.

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

- AMK will provide micro-finance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- AMK will be committed to openness and transparency in all areas of management and operations
- AMK will be committed to developing processes/services and to adopting behaviors and standards that ensure client protection.
- AMK will be a learning organization where appropriate exchange and sharing of information will contribute to staff development, training and in policy & systems improvements.

Services such as provision of credit are currently being provided to over 35,000 households (approximately 36,267 borrowers including 46 staff loan). There are five types of loans in addition to two savings products:

- Terms of three to twenty-four months for group loans (end of term loan, credit line and instalments loan)
- Terms of three to eighteen months for individual instalment loans
- Emergency loans of up to ten month term
- Loan linked savings for individual instalments loans
- General savings for members

As at 31 December 2005, AMK had 108 employees (31 December 2004: 102).

AMK’s head office is at number 191-Block F, Phnom Penh Center (Corner Sihanouk & Sotheros), Tonle Basac, Chamkamon, Phnom Penh, Cambodia.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

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 accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Kingdom of Cambodia. The accounting principles and practices utilised in the Kingdom of Cambodia may differ from those generally accepted in countries and jurisdictions other than the Kingdom of Cambodia.

Basis of aggregation

The financial statements include the financial statements of the head office, and AMK's five provincial branches, in the provinces of Kampong Speu, Pursat, Siem Reap, Battambang and Banteay Meanchey. On aggregation of balances, all inter-branch balances and transactions are eliminated in full.

Loans and advances to customers

Loans and advances to customers are net of provisions for 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.

To be in line with the requirement of the Central Bank's Prakas No. B-7-02-0186 on classification of and provisioning for bad and doubtful debts, including interest in suspense, AMK follow the provisioning policy:

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and advances to customers (continued)

<i>Loans status / classification</i>	<i>Percentage applied (%)</i>
Less than one year loan	
Sub standard loans (where repayments are more than 30 days overdue)	10
Doubtful loans (where repayments are more than 60 days overdue)	30
Loss (where repayments are more than 90 days overdue)	100
More than one year loan	
Sub standard loans (where repayments are more than 30 days overdue)	10
Doubtful loans (where repayments are more than 180 days overdue)	30
Loss (where repayments are more than 360 days overdue)	100

Loans are written off to the income statement when the loans remain unpaid after one year.

An additional general provision of bad and doubtful loans is set at the rate of 1% (2004: 2.5%) of all outstanding loans in addition to the provision above.

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 recognized is directly charged to the income statement.

Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation. AMK uses reducing balance method as follow:

	<i>Method</i>
	Reducing balance
	<i>Percentage (%)</i>
Vehicles	25
Motorbikes	25
Computer equipment	25 to 50

Intangible assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Costs associated with development or maintaining computer software programmers are recognized as expenses when incurred.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits

Provision for retirement benefits for AMK employees on a pro-rata basis, at the rate of one month's salary for every year worked.

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

These obligations will be paid as follow:

i) when AMK employees reach a retirement age of 60 years, or when they are made redundant by AMK, they are entitled to retirement benefits in full.

OR

ii) if they resign before retirement age, are entitled to the following benefits:

<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

Revenue and expense recognition

Interest income

Interest earned on loans is recognized 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, unless the loan has been written-off. However, once a loan becomes non-performing, the accrued interest is transferred to a "suspense account", in accordance with Central Bank's guideline.

Loan fees income

Loan arrangement fees are recognized as income when the loan is disbursed to each group member. The charge is 0.5% of total amount of loan disbursed.

Expenses

Expenses are recognized on an accruals basis.

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an inspection by the tax authorities.

Foreign currency translations

The functional currency has been re-evaluated and as a result, management has decided to change its functional currency from United States Dollar (USD) to Khmer Riel.

Expenditure is primarily denominated in US\$, while lending and income sources are denominated in:

- Khmer Riel in Kampong Speu, Pursat, Siem Reap and Battambang provinces, and
- Thai Baht ("THB") in Banteay Meanchey province.

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

Related party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

Leases

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

Risk management

Financial risk management and policies

By its nature the Company's activities are principally related to the use of financial instruments. The Company accepts funds from its shareholders and seeks to earn interest margins by lending for periods of less than one year at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interest rate risk

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

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

Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ and Thai Baht. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Credit risk

The Company is exposed to credit risk primarily with respect to loans. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Management believes that the Company's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans.

3. CASH ON HAND

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
		(At year-end exchange rate)	(At year-end exchange rate)	
Head office	1,773	431	3,006	745
Kompong Speu	2,757	670	28,067	6,956
Pursat	6,655	1,618	11,956	2,963
Battambang	24,267	5,902	-	-
Banteay Meanchey	12,378	3,010	12,993	3,220
Siem Reap	19,960	4,855	-	-
	67,790	16,486	56,022	13,884

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**NOTES TO THE FINANCIAL STATEMENTS
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3. CASH ON HAND (Continued)

Further currency analysis of the above cash on hand is as follows:

By currency

Cash on hand in US\$	8,508	2,069	5,996	1,486
Cash on hand in Riel	50,022	12,165	40,314	9,991
Cash on hand in THB	9,260	2,252	9,712	2,407
	67,790	16,486	56,022	13,884

4. BALANCES WITH BANKS

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
		(At year-end exchange rate)	(At year-end exchange rate)	
<i>Current accounts, without interest:</i>				
Acleda Bank	315,455	76,716	535,239	132,649
<i>Savings:</i>				
Acleda Bank	675,115	164,182	1,484,218	367,836
<i>Fixed deposits:</i>				
Acleda Bank, 3 months, interest at 3% a year	200,000	48,638	417,271	103,413
Acleda Bank, 3 months, interest at 4% a year	411,200	100,000	524,550	130,000
Acleda Bank, 6 months, interest at 5% a year	205,600	50,000	-	-
	1,807,370	439,536	2,961,278	733,898

5. BALANCES WITH CENTRAL BANK

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
		(At year-end exchange rate)	(At year-end exchange rate)	
Statutory deposits	271,819	66,104	271,818	67,365
Saving reserve	1,000	243	-	-
Current accounts	236,181	57,437	181	45
	509,000	123,784	271,999	67,410

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5. BALANCES WITH CENTRAL BANK (Continued)

Following the Central Bank's Prakas No. B700-006 on the *Licensing of Micro-Finance Institutions*, AMK maintains an amount equal to 5% of its registered capital of Riel 10,148,925 thousand as at 31 December 2005 in a permanent non-interest earning account with Central Bank. NBC is in the process transferring from AMK's current account to statutory deposit account as at the date of this report.

6. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by performing and non-performing loans

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000 (At year-end exchange rate)	US\$
Standard loans				
-secured	876,448	213,144	370,356	91,786
-unsecured	9,293,686	2,260,137	4,445,643	1,101,770
Substandard loans				
-secured	196	48	-	-
-unsecured	760	185	8,239	2,042
Doubtful loans				
-secured	-	-	-	-
-unsecured	200	49	-	-
Loss loans				
-secured	1,909	464	-	-
-unsecured	1,660	404	26,324	6,524
	<u>10,174,859</u>	<u>2,474,431</u>	<u>4,850,562</u>	<u>1,202,122</u>
Provision for loan loss	<u>(104,178)</u>	<u>(25,335)</u>	<u>(146,228)</u>	<u>(36,240)</u>
	<u>10,070,681</u>	<u>2,449,096</u>	<u>4,704,334</u>	<u>1,165,882</u>

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NOTES TO THE FINANCIAL STATEMENTS
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6. LOANS AND ADVANCES TO CUSTOMERS (Continued)

b) Analysis by type of industry

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000 (At year-end exchange rate)	US\$
Agriculture	8,499,489	2,066,996	4,293,071	1,063,958
Trade and commerce	1,294,271	314,755	444,994	110,283
Services	95,484	23,221	31,300	7,757
Transportation	36,757	8,939	5,123	1,270
Construction	21,107	5,133	2,613	648
Household/family	158,847	38,630	15,870	3,933
Other categories	68,904	16,757	57,591	14,273
	10,174,859	2,474,431	4,850,562	1,202,122
Provision for loan loss	(104,178)	(25,335)	(146,228)	(36,240)
	10,070,681	2,449,096	4,704,334	1,165,882

c) Analysis by maturity

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000 (At year-end exchange rate)	US\$
Maturity within one year	8,937,040	2,173,405	4,850,562	1,202,122
Over one year but within three years	1,237,819	301,026	-	-
Over three years but within five years	-	-	-	-
Over five years	-	-	-	-
	10,174,859	2,474,431	4,850,562	1,202,122
Provision for loan loss	(104,178)	(25,335)	(146,228)	(36,240)
	10,070,681	2,449,096	4,704,334	1,165,882

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6. LOANS AND ADVANCES TO CUSTOMERS (Continued)

d) Analysis of gross loans by branches

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	<i>(At year-end exchange rate)</i>		<i>(At year-end exchange rate)</i>	
Staff loans (a)	124,694	30,324	52,568	13,028
Kompong Speu	2,999,991	729,570	1,578,698	391,251
Pursat	2,388,965	580,974	1,162,419	288,084
Battambang	564,914	137,382	-	-
Banteay Meanchey	3,264,655	793,934	2,056,877	509,759
Siem Reap	831,640	202,247	-	-
	<u>10,174,859</u>	<u>2,474,431</u>	<u>4,850,562</u>	<u>1,202,122</u>
Provision for loan loss	<u>(104,178)</u>	<u>(25,335)</u>	<u>(146,228)</u>	<u>(36,240)</u>
	<u>10,070,681</u>	<u>2,449,096</u>	<u>4,704,334</u>	<u>1,165,882</u>

(a) This represents loans to staff and no collateral is required on these loans. The interest rate is charged at 1% per month on the principal balance outstanding and principal and interest repayments are made on a monthly basis.

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

e) Analysis by currencies

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	<i>(At year-end exchange rate)</i>		<i>(At year-end exchange rate)</i>	
Loan in US\$	124,694	30,324	52,568	13,028
Loans in Riel	6,785,510	1,650,173	2,741,117	679,335
Loans in THB	3,264,655	793,934	2,056,877	509,759
	<u>10,174,859</u>	<u>2,474,431</u>	<u>4,850,562</u>	<u>1,202,122</u>
Provision for loan loss	<u>(104,178)</u>	<u>(25,335)</u>	<u>(146,228)</u>	<u>(36,240)</u>
	<u>10,070,681</u>	<u>2,449,096</u>	<u>4,704,334</u>	<u>1,165,882</u>

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NOTES TO THE FINANCIAL STATEMENTS
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6. LOANS AND ADVANCES TO CUSTOMERS (Continued)

f) Provision for bad and doubtful loans

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	(At year-end exchange rate)		(At year-end exchange rate)	
Specific provision in accordance with Central Bank's guidelines	3,724	906	27,147	6,728
General provision	100,454	24,429	119,081	29,512
	104,178	25,335	146,228	36,240

The movements in provision for doubtful loans are as follows:

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	(At year-end exchange rate)		(At year-end exchange rate)	
Opening balance	146,233	36,240	136,963	33,187
Provision (charged)/reversed during the year	(14,963)	(3,639)	61,094	15,141
Written off during the year	(24,236)	(5,894)	(48,775)	(12,088)
Currency revaluation at balance sheet date	(2,856)	(1,372)	(3,054)	-
	104,178	25,335	146,228	36,240

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**NOTES TO THE FINANCIAL STATEMENTS
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6. LOANS AND ADVANCES TO CUSTOMERS (Continued)

g) Analysis by type of loan products

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	<i>(At year-end exchange rate)</i>		<i>(At year-end exchange rate)</i>	
Village Bank loans-end of term	8,203,351	1,994,979	4,468,956	1,107,548
Village Bank loans-credit line	904,090	219,866	-	-
Village Bank loans-installments	31,777	7,728	11,250	2,788
Individual loans-instalments	878,553	213,656	317,788	78,758
Individual emergency loans-end of term	32,394	7,878	-	-
Staff loans-instalments	124,694	30,324	52,568	13,028
	<u>10,174,859</u>	<u>2,474,431</u>	<u>4,850,562</u>	<u>1,202,122</u>
Provision for loan losses	<u>(104,178)</u>	<u>(25,335)</u>	<u>(146,228)</u>	<u>(36,240)</u>
	<u>10,070,681</u>	<u>2,449,096</u>	<u>4,704,334</u>	<u>1,165,882</u>

7. INTEREST RECEIVABLE

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	<i>(At year-end exchange rate)</i>		<i>(At year-end exchange rate)</i>	
Interest receivable	160,951	39,142	78,908	19,556
<i>Provision for interest losses:</i>				
Opening balance	-	-	(14,139)	(3,426)
Provision during the year/period	-	-	13,566	3,426
Currency revaluation at balance sheet date	-	-	573	-
Net	<u>160,951</u>	<u>39,142</u>	<u>78,908</u>	<u>19,556</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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8. OTHER ASSETS

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	<i>(At year-end exchange rate)</i>		<i>(At year-end exchange rate)</i>	
	<hr/>	<hr/>	<hr/>	<hr/>
Rental deposits (head office)	19,984	4,860	19,610	4,860
Phone and internet deposit	10,074	2,450	-	-
Rental prepayments	30,347	7,380	44,062	10,920
Prepayment on insurance	8,125	1,976	-	-
Micro Banker license prepayments	-	-	24,211	6,000
Others	12,979	3,156	14,082	3,490
	<hr/>	<hr/>	<hr/>	<hr/>
	81,509	19,822	101,965	25,270
	<hr/>	<hr/>	<hr/>	<hr/>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

9. INTANGIBLE ASSETS

	Micro Banker software license Riel'000
At 1 January 2005	
Cost	46,406
Accumulated depreciation	(21,123)
Net book amount	<u>25,283</u>
Year ended 31 December 2005	
Opening net book amount	25,283
Additions	24,225
Depreciation charged	(24,190)
Closing net book amount	<u>25,318</u>
At 31 December 2005	
Cost	70,631
Accumulated depreciation	(45,313)
Net book amount	<u>25,318</u>
In US\$ equivalents	6,157
At 1 January 2004	
Cost	30,266
Accumulated depreciation	(1,707)
Net book amount	<u>28,559</u>
Year ended 31 December 2004	
Opening net book amount	28,559
Additions	16,140
Depreciation charged	(19,416)
Closing net book amount	<u>25,283</u>
At 31 December 2004	
Cost	46,406
Accumulated depreciation	(21,123)
Net book amount	<u>25,283</u>
In US\$ equivalents	6,266

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**NOTES TO THE FINANCIAL STATEMENTS
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10. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Motor	Computer	Total
	Riel'000	bikes	equipment	Riel'000
	<u>Riel'000</u>	<u>Riel'000</u>	<u>Riel'000</u>	<u>Riel'000</u>
At 1 January 2005				
Cost	443,398	163,998	156,465	763,861
Accumulated depreciation	<u>(145,415)</u>	<u>(33,117)</u>	<u>(71,020)</u>	<u>(249,552)</u>
Net book amount	297,983	130,881	85,445	514,309
Year ended 31 December 2005				
Opening net book amount	297,983	130,881	85,445	514,309
Additions	-	48,976	65,817	114,793
Depreciation charged	<u>(74,496)</u>	<u>(41,279)</u>	<u>(44,874)</u>	<u>(160,649)</u>
Closing net book amount	223,487	138,578	106,388	468,453
At 31 December 2005				
Cost	443,398	212,974	222,282	878,654
Accumulated depreciation	<u>(219,911)</u>	<u>(74,396)</u>	<u>(115,894)</u>	<u>(410,201)</u>
Net book amount	223,487	138,578	106,388	468,453
In US\$ equivalents	54,350	33,701	25,872	113,923
At 1 January 2004				
Cost	332,436	90,763	110,720	533,919
Accumulated depreciation	<u>(51,906)</u>	<u>(12,254)</u>	<u>(12,028)</u>	<u>(76,188)</u>
Net book amount	280,530	78,509	98,692	457,731
Year ended 31 December 2004				
Opening net book amount	280,530	78,509	98,692	457,731
Additions	110,963	75,939	45,745	232,646
Depreciation charged	(93,507)	(23,016)	(58,988)	(175,511)
Disposal	<u>-</u>	<u>(557)</u>	<u>-</u>	<u>(557)</u>
Closing net book amount	297,986	130,875	85,449	514,309
At 31 December 2004				
Cost	443,398	163,998	156,465	763,861
Accumulated depreciation	<u>(145,415)</u>	<u>(33,117)</u>	<u>(71,020)</u>	<u>(249,552)</u>
Net book amount	297,983	130,881	85,445	514,309
In US\$ equivalents	73,850	32,436	21,176	127,462

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**NOTES TO THE FINANCIAL STATEMENTS
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11. CUSTOMER DEPOSITS

The loan-linked savings is a compulsory deposit on loans disbursed as required by AMK. 2% of the total loan amount disbursed to customers is recorded as loan-linked savings and subject to interest rate of 12% per annum. The loan-linked savings is be refunded at the end of the loan cycle.

The general (voluntary) savings is available for AMK's borrowers only and it is subject to interest rate of 18% per annum. The interest charge will be accrued to individual borrower's account every six months in June and December.

12. BORROWINGS

Concern Worldwide, Dublin, the majority shareholder, has entered in a loan agreement with AMK for US\$2.5 million. As at 31 December 2005, AMK has draw down US\$ 692,262 (equivalent Riel 2,846,581 thousand). The loan is unsecured and has a maximum term of fifteen years. There is no fixed repayment schedule. Annual interest is 1% and interest payment can be made once every five years, on or before 31 December, the first interest installment will become due on 31 December 2011. The loan carries an interest moratorium for years 2005 and 2006. Alternatively, interest can be reinvested in the form of share capital.

13. ACCRUALS

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	<i>(At year-end exchange rate)</i>		<i>(At year-end exchange rate)</i>	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Technical support costs	94,370	22,950	156,154	38,700
Staff bonus	71,388	17,361	48,339	11,980
Staff incentive	40,459	9,839	-	-
Audit fees	24,055	5,850	15,757	3,905
Tax payables	13,743	3,342	38,074	9,436
Others	25,612	6,229	23,916	5,927
	<u>269,627</u>	<u>65,571</u>	<u>282,240</u>	<u>69,948</u>

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14. PROVISION FOR RETIREMENT BENEFITS

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	<i>(At year-end exchange rate)</i>		<i>(At year-end exchange rate)</i>	
Balance as at 1 January 2005	103,384	25,142	41,381	10,027
Payment during the year	(1,020)	(248)	(1,759)	(436)
Charge during the year	104,992	25,533	64,684	16,031
Currency revaluation at balance sheet date	1,969	479	(922)	-
	209,325	50,906	103,384	25,622

15. SHARE CAPITAL

On 28 July 2005, Ministry of Commerce approved revised Memorandum of Article and Association with a re-registering new share capital of Riel 10,148,925 thousand being shares valued at Riel 25,000 each. The shareholders are as follow (in accordance with the Memorandum of Article and Association):

	31 December 2005		31 December 2004	
	Number of shares	Riels'000	Number of shares	Riel'000
Concern Worldwide	405,857	10,146,425	405,588	10,139,700
Concern Worldwide (UK)	100	2,500	100	2,513
	405,957	10,148,925	405,688	10,142,213
	405,957	10,148,925	405,688	10,142,213

As at 31 December 2005, the shares were fully paid. As at 31 December 2004, paid up capital is US\$ 2,156,685 equivalent to Riel 8,702,224 thousand.

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16. CASH AND CASH EQUIVALENTS

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000 (At year-end exchange rate)	US\$
Cash on hand	67,790	16,486	56,022	13,884
Balances with banks	1,807,370	439,536	2,961,279	733,898
Current account with Central Bank	237,181	57,680	181	45
	<u>2,112,341</u>	<u>513,702</u>	<u>3,017,482</u>	<u>747,827</u>

17. INTEREST INCOME

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000 (At year-end exchange rate)	US\$
Gross interest income	2,745,656	667,718	1,587,187	393,355
Bank interest income	50,357	12,246	28,334	7,022
Provision for doubtful interest	-	-	13,824	3,426
	<u>2,796,013</u>	<u>679,964</u>	<u>1,629,345</u>	<u>403,803</u>

18. COMMISSION EXPENSES

The commission expenses represent the payments towards the village bank committee incentive. The basis of the incentive is calculated at a rate of 3% and 0.5% of 100% of interest income and 100% of the principal collected respectively.

19. LOAN FEE INCOME

This represents loan fee income charged up front from customers at a rate of 0.5% on some loan products disbursed/approved during the year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

20. OTHER OPERATING INCOME

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000	US\$ (At year-end exchange rate)
Bad debt recovered	8,055	1,959	22,192	5,500
Micro-finance training services	19,187	4,666	20,942	5,190
Proceeds from sale of fixed assets (previously written off)	-	-	47,835	11,855
Other income	17,580	4,275	-	-
	44,822	10,900	90,969	22,545

21. STAFF COSTS

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000	US\$ (At year-end exchange rate)
Local staff salary	1,337,432	325,251	914,609	226,669
Retirement benefits	104,996	25,534	64,685	16,031
Per diems/allowances	43,620	10,608	18,997	4,708
Medical expenses	22,770	5,537	20,058	4,971
Staff insurance	10,254	2,494	-	-
Annual staff development/training	30,174	7,338	-	-
Other personnel	3,906	950	25,522	6,325
	1,553,152	377,712	1,043,871	258,704

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**NOTES TO THE FINANCIAL STATEMENTS
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22. ADMINISTRATION EXPENSES

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
		(At year-end exchange rate)	(At year-end exchange rate)	
Depreciation	184,844	44,952	194,919	48,307
Office rental	132,107	32,127	73,211	18,144
Office supplies and equipment	157,290	38,251	60,969	15,110
Utilities	47,868	11,641	37,679	9,338
Communication	125,047	30,410	52,342	12,972
Professional services	91,138	22,164	96,073	23,810
Repairs and maintenance	3,976	967	25,767	6,386
Recruitment	1,940	472	3,551	880
Entertainment	-	-	4,019	996
Marketing	18,900	4,596	-	-
Other	79,637	19,368	26,973	6,685
	842,747	204,948	575,503	142,628

23. TRANSPORT COSTS

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
		(At year-end exchange rate)	(At year-end exchange rate)	
Fuel costs	101,874	24,775	64,794	16,058
Repairs and maintenance	38,577	9,382	23,673	5,867
Tax and insurance	10,328	2,512	15,777	3,910
Internal flights	-	-	4,483	1,111
Vehicle hire	3,869	941	4,858	1,204
Others	5,124	1,245	1,755	435
	159,772	38,855	115,340	28,585

24. TECHNICAL SUPPORT COSTS

AMK's Chief Executive Officer ("CEO") and TRAM manager are paid directly by Concern Worldwide Ltd for the year ended 31 December 2005. AMK is charged US\$18,000 (2004: US\$18,000) for the services of the CEO and US\$9,000 (2004: US\$9,000) for the TRAM manager.

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**NOTES TO THE FINANCIAL STATEMENTS
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25. INCOME TAX EXPENSE

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
		(At year-end exchange rate)	(At year-end exchange rate)	
Current tax (minimum tax expense)	<u>29,003</u>	<u>7,053</u>	<u>17,371</u>	<u>4,305</u>
	<u>29,003</u>	<u>7,053</u>	<u>17,371</u>	<u>4,305</u>

Current income tax is computed as follows:

Net loss before taxation	86,485	21,032	(122,510)	(30,362)
Permanent differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	86,485	21,032	(122,510)	(30,362)
Timing differences on unrealized gain foreign exchange	36,868	8,966	(115,611)	(28,652)
Timing differences on provision for retirement benefits	105,941	25,764	62,926	15,595
Loss carry forwards utilization	<u>(229,294)</u>	<u>(55,762)</u>	<u>-</u>	<u>-</u>
Taxable losses	-	-	(175,195)	(43,419)
Tax rate	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>
Current income tax	-	-	-	-
Minimum tax expense (a)	<u>29,003</u>	<u>7,053</u>	<u>17,371</u>	<u>4,305</u>
	<u>29,003</u>	<u>7,053</u>	<u>17,371</u>	<u>4,305</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

26. NET CASH USED IN OPERATION

	31 December 2005		31 December 2004	
	Riel'000	US\$ (At year-end exchange rate)	Riel'000 (At year-end exchange rate)	US\$
Cash flows from operating activities				
Loss before taxation	86,485	21,032	(122,511)	(30,362)
<i>Adjustments for:</i>				
Gains on sale of property, plant and equipment	-	-	(2,126)	(527)
Unrealised gains on foreign exchange	(36,868)	(8,966)	(115,611)	(28,652)
Provision for loan losses	6(f) (14,963)	(3,639)	12,323	3,054
Loan written off	6(f) (24,236)	(5,894)		
Depreciation and amortisation	9&10 184,839	44,951	194,923	48,307
Provision for retirement benefits	134,944	32,817	64,685	16,031
Cash flows from operating activities before change in operating assets and liabilities	330,201	80,301	31,683	7,851
<i>Changes in operating assets and liabilities</i>				
Statutory deposit and reserve account with Central Bank	-	-	(271,818)	(67,365)
Loans and advances to customers	(5,290,280)	(1,286,547)	(1,332,119)	(330,141)
Interest receivable	(82,043)	(19,952)	(66,892)	(16,578)
Other assets	20,456	4,975	153,943	38,152
Compulsory savings	32,882	7,997	14,114	3,498
Accruals	(12,609)	(3,066)	146,664	36,348
Retirement benefits paid	(1,020)	(248)	(1,759)	(436)
	<u>(5,031,416)</u>	<u>(1,223,593)</u>	<u>(1,332,119)</u>	<u>(330,141)</u>

27. FAIR VALUES OF ASSETS AND LIABILITIES

In the opinion of the management, the carrying amounts of financial assets and liabilities included in the balance sheet are reasonable estimates of their fair values and of the credit risk associated with these assets. In making this assessment, management assumes that loans and advances to customers are mainly held to maturity. Fair value approximates to the book value of loans adjusted for provision for loan losses.

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**NOTES TO THE FINANCIAL STATEMENTS
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28. CURRENCY ANALYSIS

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

	<u>US\$</u>	<u>THB</u>	<u>Riel</u>	<u>Total Riel'000</u>	<u>Total US\$</u>
<i>31 December 2005</i>					
ASSETS					
Cash on hand	8,508	9,260	50,022	67,790	16,486
Balances with banks	909,410	713,402	184,558	1,807,370	439,536
Balances with Central Bank	-	-	509,000	509,000	123,784
Loans and advances to customers	124,694	3,230,366	6,715,621	10,070,681	2,449,096
Interest receivable	98	102,328	58,525	160,951	39,142
Other assets	81,509	-	-	81,509	19,822
Intangible assets	-	-	25,318	25,318	6,157
Property and equipment	-	-	468,453	468,453	113,923
Total Assets	<u>1,124,219</u>	<u>4,055,356</u>	<u>8,011,497</u>	<u>13,191,072</u>	<u>3,207,946</u>
LIABILITIES					
Compulsory savings	-	19,793	27,203	46,996	11,429
Borrowings	2,846,581	-	-	2,846,581	692,262
Accruals	269,627	-	-	269,627	65,571
Provision for retirement benefits	209,325	-	-	209,325	50,906
Total Liabilities	<u>3,325,533</u>	<u>19,793</u>	<u>27,203</u>	<u>3,372,529</u>	<u>820,168</u>
Net asset/(liability) Position	<u>(2,201,314)</u>	<u>4,035,563</u>	<u>7,984,294</u>	<u>9,818,543</u>	<u>2,387,778</u>
<i>31 December 2004</i>					
Total Assets	2,498,141	2,761,820	3,454,137	8,714,098	2,159,628
Total Liabilities	385,625	5,915	8,198	399,738	99,068
Net asset position	<u>2,112,516</u>	<u>2,755,905</u>	<u>3,445,939</u>	<u>8,314,360</u>	<u>2,060,560</u>

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

29. MATURITY PROFILE

The maturity profile of assets and liabilities are as follows:

	Less than 1 month Riel'000	From 1 month to 3 months Riel'000	From 3 months to 1 year Riel'000	From 1 year to 5 years Riel'000	Over 5 years Riel'000	No fixed maturity date Riel'000	Total Riel'000	Total US\$
<i>31 December 2005</i>								
ASSETS								
Cash on hand	67,790						67,790	16,486
Balances with banks	357,824	1,073,472	376,074				1,807,370	439,536
Balances with Central Bank	-	-	-	-	-	509,000	509,000	123,784
Loans and advances to customers	388,693	4,502,609	4,163,645	1,015,734	-	-	10,070,681	2,449,096
Interest receivable	160,951	-	-	-	-	-	160,951	39,142
Other debtors	21,104	30,347	-	19,984	-	10,074	81,509	19,822
Intangible assets	-	-	-	25,318	-	-	25,318	6,157
Property, plant and equipment	-	-	-	468,453	-	-	468,453	113,923
Total Assets	996,362	5,606,428	4,539,719	1,529,489	-	519,074	13,191,072	3,207,946
LIABILITIES								
	-	-	-	-	-	46,996	46,996	11,429
Borrowings	-	-	-	-	2,846,581	-	2,846,581	692,262
Accruals	103,867	71,388	94,372	-	-	-	269,627	65,571
Provision for retirement benefits	-	-	-	-	-	209,325	209,325	50,906
Total Liabilities	103,867	71,388	94,372	-	2,846,581	256,321	3,372,529	820,168
Net liquidity surplus/(gap)	892,495	5,535,040	4,445,347	1,529,489	(2,846,581)	262,753	9,818,543	2,387,778
<i>31 December 2004</i>								
Total Assets	2,702,631	3,394,492	1,808,939	536,219	-	271,817	8,714,098	2,159,628
Total Liabilities	38,409	156,155	101,791	2,962	100,421	-	399,738	99,068
Net liquidity surplus/(gap)	2,664,222	3,238,337	1,707,148	533,257	(100,421)	271,817	8,314,360	2,060,560

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

30. INTEREST RATE ANALYSIS

	Less than 1 month Riel'000	From 1 month to 3 months Riel'000	From 3 months to 1 year Riel'000	From 1 year to 5 years Riel'000	Over 5 years Riel'000	Non Interest bearing Riel'000	Total Riel'000	Total US\$
<i>31 December 2005</i>								
ASSETS								
Cash on hand	-	-	-	-	-	67,790	67,790	16,486
Balances with banks	357,824	1,073,472	61,343	-	-	314,731	1,807,370	439,536
Balances with Central Bank	-	-	-	-	-	509,000	509,000	123,784
Loans and advances to customers	388,693	4,502,609	4,163,645	1,015,734	-	-	10,070,681	2,449,096
Interest receivable	-	-	-	-	-	160,951	160,951	39,142
Other debtors	-	-	-	-	-	81,509	81,509	19,822
Intangible assets	-	-	-	-	-	25,318	25,318	6,157
Property, plant and equipment	-	-	-	-	-	468,453	468,453	113,923
Total Assets	746,517	5,576,081	4,224,988	1,015,734	-	1,627,752	13,191,072	3,207,946
LIABILITIES								
Customer deposit	2,545	4,031	20,736	451	19,233	-	46,996	11,429
Borrowings	-	-	-	-	2,846,581	-	2,846,581	692,262
Accruals	-	-	-	-	-	269,627	269,627	65,571
Provision for retirement benefits	-	-	-	-	-	209,325	209,325	50,906
Total Liabilities	2,545	4,031	20,736	451	2,865,814	478,952	3,372,529	820,168
Net liquidity surplus/(gap)	743,972	5,572,050	4,204,252	1,015,283	(2,865,814)	1,148,800	9,818,543	2,387,778
<i>31 December 2004</i>								
Total Assets	2,281,611	3,347,150	1,678,144	-	-	1,407,196	8,714,101	2,159,628
Total Liabilities	-	-	14,114	-	-	385,625	399,739	99,068
Net liquidity surplus/(gap)	2,281,611	3,347,150	1,664,030	-	-	1,021,571	8,314,362	2,060,560

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**NOTES TO THE FINANCIAL STATEMENTS
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31. LEASE COMMITMENTS

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

	31 December 2005		31 December 2004	
	Riel'000	US\$	Riel'000	US\$
	(At year-end exchange rate)		(At year-end exchange rate)	
Not more than one year	22,001	5,350	80,377	19,920
More than one year but less than five years	<u>26,111</u>	<u>6,350</u>	<u>274,541</u>	<u>68,040</u>
	<u>48,112</u>	<u>11,700</u>	<u>354,918</u>	<u>87,960</u>

32. COMPARATIVE

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

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

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2005**

1. CAPITAL ADEQUACY RATIO, Prakas No. B7-00-46

Licensed Micro-finance Institutions shall at all times, maintain a capital adequacy ratio of more than 20%. As at 31 December 2005, Capital Adequacy Ratio of AMK is 76.65%.

The Capital Adequacy Ratio calculation is detailed in Schedule 1.

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

Licensed Micro-finance Institutions shall at all times, maintain a liquidity ratio of more than 100%. As at 31 December 2005, the Liquidity Ratio is 23,601%.

The Liquidity Ratio calculation is detailed in Schedule 2.

3. CALCULATION OF FOREIGN CURRENCY EXPOSURE, Prakas No B 795-001

Licensed Micro-finance Institution's foreign currency exposure ratio should not exceed 5% of net worth for each currency and 15% of net worth aggregate. As at 31 December 2005, the foreign currency exposure ratio are (22.77)% and 41.74% for US\$ and Thai Baht currencies respectively which were not in compliance with the Central Bank's Prakas.

Foreign currency exposure ratio calculation is detailed in Schedule 3.

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

Licensed Micro-finance Institutions shall deposit 5% of their deposits into an account maintained with the Central Bank. As at 31 December 2005, the reserve requirement is Riel 1,000,000.

The Reserve Requirement calculation is detailed in Schedule 4.

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

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

Loan term of one year or less than one year

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

ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2005

5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO, Prakas
No. B702-186 (Continued)

Loan term more than one year

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

Specific provisions on the loans are classified as follow:

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

As at 31 December 2005, the specific provision provided by AMK is Riel 3,724,000 which was in compliance with Central Bank's Prakas.

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

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**SCHEDULE 1
CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2005**

		Riel'000		
1-NUMERATOR : ELIGIBLE CAPITAL				
1.1. CORE CAPITAL				
- Paid in capital		10,148,925		
- Reserves		-		
- Retained earnings		(387,864)		
- Net profit for the year		<u>57,482</u>		
Sub total A		<u>9,818,543</u>		
Less :				
- Unpaid capital		-		
- Loan to related parties		124,694		
- Intangible asset		<u>25,318</u>		
Sub-total B		150,012		
Core capital (A-B)		9,668,531		
1.2.HYBRID CAPITAL				
- Nun-refundable grants		-		
- Public guarantee funds		-		
- Perpetual subordinated debt		-		
Hybrid capital		-		
1.3 ELIGIBLE CAPITAL (Core capital + Hybrid capital) (E)		<u>9,668,531</u>		
2-DENOMINATOR:RISK-WEIGHTED ASSET (R)				
	Asset	Amount	Weighting	
- Cash		67,790	0%	-
- Gold		-	0%	-
- Balances with Central Bank		509,000	0%	-
- Balances with bank rated AAA to AA-		-	20%	-
- Balances with bank rated A+ to A-		-	50%	-
- Loans and advances to customers		10,070,681	100%	10,070,681
- Others asset		2,543,601	100%	2,543,601
Total		<u>13,191,072</u>		<u>12,614,282</u>
CAPITAL ADEQUACY RATIO (C=E/R)				<u>76.65%</u>

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2005**

1-Numerator: liquid asset			Riel'000
- Cash on hand			67,790
- Balances with Central Bank			509,000
- Balances with banks			1,807,370
Sub-total A			<u>2,384,160</u>
Less :			
- Amount owed to Central Bank			-
- Amount owed to banks			-
Sub-total B			-
Net liquidity (A-B)			2,384,160
Plus :			
Portion of loans maturing in less than a month			<u>388,693</u>
Liquid assets (L)			<u>2,772,853</u>
2-Denominator: Adjusted amount of deposits (A)			
Category of Deposits	Amount	%	
Voluntary savings	46,996	25%	11,749
Total	46,996		11,749
LIQUIDITY RATIO (L/A)			<u>23601%</u>

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**SCHEDULE 3
CALCULATION OF FOREIGN CURRENCY EXPOSURE AS AT 31 DECEMBER 2005**

In Riel'000

	US\$	THB
1- Assets in foreign currency	1,124,219	4,055,356
2- Minus: liabilities in that currency	<u>3,325,533</u>	<u>19,793</u>
3- Net position (long or short)	(2,201,314)	4,035,563
4- Minus: provision for FX losses	<u>-</u>	<u>-</u>
5- Adjusted net position (long or short)	(2,201,314)	4,035,563
6- Net worth	9,668,531	9,668,531
7- Foreign currency exposure ratio: 5/6	<u>-22.77%</u>	<u>41.74%</u>

**ANGKOR MIKROHERANHVATHO (KAMPUCHEA) CO., LTD
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**SCHEDULE 4
RESERVE REQUIREMENT AS AT 31 DECEMBER 2005**

	US\$
1-Voluntary	
1-1 Demand	-
1-2 Saving (18% per annum)	19,232
1-3 Term	-
1-4 Other	-
1-.5 Total Reservable Deposit	<u>19,232</u>
2-Compulsory	
2-1 Program (12% per annum)	27,764
2-2 Program	-
2-3 Program	-
2-4 Total compulsory saving	27,764
3-Total saving mobilized	46,996
5% Reservable Deposit	<u>962</u>

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

**SCHEDULE 5
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2005**

Loan classification	Amount Riel'000	Rate %	Specific provision Riel'000
1-Loans of one year or less			
1-1 Standard	10,170,134	0%	-
1-2 Substandard Past Due >30 days	956	10%	96
1-3 Doubtful Past Due >60 days	200	30%	60
1-4 Loss Past Due >90 days	3,569	100%	3,568
Sub-Total 1	10,174,859		3,724
2-Loans of more than one year			
2-1 Standard	-	0%	-
2-2 Substandard Past Due >30 days	-	10%	-
2-3 Doubtful Past Due >180 days	-	30%	-
2-4 Loss Past Due >360 days	-	100%	-
Sub-Total 2	-		-
All loan past due > 30 days (A)	4,725		
Loan outstanding (B)			10,174,859
Delinquency Ratio (A/B)			<u>0.05%</u>