

**HATTHA KAKSEKAR LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**HATTHA KAKSEKAR LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

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## **REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors of Hattha Kaksekar Limited (“HKL”) presents its report together with the audited financial statements of HKL for the year ended 31 December 2003.

### **HATTHA KAKSEKAR LIMITED**

Hattha Kaksekar, a non-governmental organisation (“NGO”) established in November 1996, has created HKL in order to comply with Prakas No. B700-06 dated 11 January 2000, a regulation issued by the National Bank of Cambodia (“NBC”) on licensing of micro-finance institutions. The creation of HKL converted the NGO’s micro-lending operations into a licensed and commercially oriented micro-finance institution (“the MFI”). HKL aims to carry out the NGO’s micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. This conversion was achieved by transferring and assigning all the assets and liabilities of the NGO as at 27 April 2001, the effective date of transfer, to HKL including all grant contracts and the outstanding receivables arising from these contracts as at the date of transfer, conditions and obligations relating to a bank loan, all employment contracts, conditions, obligations and benefits, leases on premises or houses for office branches or headquarters, and all others related to micro-lending operations of the NGO. The transfer and assignment of all these were effected through an agreement to transfer assets and liabilities, and the subordinated loan agreement between the NGO and MFI, both dated 27 April 2001.

### **PRINCIPAL ACTIVITIES**

The MFI is principally engaged in the provision of credit and saving services.

HKL operates in five branches located in the provinces of Pursat, Kampong Thom, Siem Reap and Banteay Meanchey, with the primary source of revenue being from interest income earned on providing loans to clients. It also provides a voluntary savings accounts service to its clients.

### **RESULTS AND DIVIDENDS**

The net income for the year ended 31 December 2003, after taxation, amounted to US\$ 38,390 (US\$ 42,196 in year 2002).

No dividends were paid or declared during this year.

### **EVENTS SINCE THE BALANCE SHEET DATE**

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

## **THE BOARD OF DIRECTORS**

The members of the Board of Directors of HKL (they sit on the Board for a two year term) and at the date of this report are:

Mr. Jean Thiboutot;  
Ms. Im Vandith;  
Mr. Jacques Gautheron;  
Mr. Hout Ieng Tong;  
Mr. Hugo Jozef Coudere

No members held any controlling interest in the equity of the MFI except for Mr. Jean Thiboutot holding 84 shares of the MFI (with par value of US\$ 30 each). No arrangements existed to which the MFI is a party with the object of enabling the members to obtain an interest in the MFI or in any body corporate. No member has a benefit, other than remuneration, by reason of a contract made by the MFI or related party.

## **AUDITORS**

The auditors, PricewaterhouseCoopers (Cambodia) Limited, have expressed their willingness to accept reappointment.

## **STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Directors is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the MFI and of the results of its operations, and cash flows for the year ended 31 December 2003. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the MFI will continue in business.

The Board of Directors confirms that HKL has complied with the above requirements in preparing the accounts.

The Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy and time, the financial position of the MFI and to ensure that the accounts comply with the registered accounting system. It is also responsible for safeguarding the assets of the MFI and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **APPROVAL OF THE FINANCIAL STATEMENTS**

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of HKL as at 31 December 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Report Standards.

On behalf of the Board of Directors:

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Hout Ieng Tong  
General Manager

Phnom Penh, Kingdom of Cambodia  
Date: 26 February 2004

## **AUDITORS' REPORT TO THE BOARD DIRECTORS OF HATTHA KAKSEKAR LIMITED**

We have audited the financial statements, expressed in United States dollars, of Hattha Kaksekar Limited (“HKL”) as at 31 December 2003 and for the year then ended. These financial statements, as set out on pages 5 to 26, have been prepared in accordance with International Financial Reporting Standards. As discussed in note 2 to the financial statements, the translation in Khmer Riel is made for the sole purpose of complying with the NBC requirement.

### **Respective responsibilities of management and auditors**

HKL’s management 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, on those financial statements and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Company’s directors 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 financial statements. It also includes an assessment of the significant estimates and judgements made by HKL’s management in the preparation of the financial statements, and of whether the accounting policies are appropriate to HKL’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 as to whether 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. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements expressed in United States dollars give a true and fair view, in all material respects, of the financial position of HKL as at 31 December 2003 and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED  
Phnom Penh, Kingdom of Cambodia  
Date: 26 February 2004

**HATTHA KAKSEKAR LIMITED****BALANCE SHEET  
AS AT 31 DECEMBER 2003**

	Note	31 December 2003		31 December 2002	
		US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
<b>ASSETS</b>					
Cash on hand	3	54,027	214,811	107,026	420,612
Deposits with the National Bank of Cambodia	4	13,922	55,354	4,922	19,343
Balances with banks	5	27,441	109,105	70,590	277,419
Loans receivable, net	7	1,200,902	4,774,786	1,186,807	4,664,152
Grants receivable	8	111,993	445,284	145,414	571,477
Other receivables		10,942	43,506	28,874	113,475
Accrued interest income		43,157	171,592	23,259	91,407
Property, plant and equipment	9	92,185	366,528	99,330	390,367
<b>Total Assets</b>		<b>1,554,569</b>	<b>6,180,966</b>	<b>1,666,222</b>	<b>6,548,252</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Bank loans	10	100,000	397,600	290,000	1,139,700
Subordinated loans	11	777,641	3,091,901	856,836	3,367,365
Deposits of members	12	62,426	248,206	77,634	305,102
Deferred grant income	13	111,993	445,284	181,014	711,385
Accruals and other liabilities	14	117,656	467,800	94,275	370,500
<b>Total Liabilities</b>		<b>1,169,716</b>	<b>4,650,791</b>	<b>1,499,759</b>	<b>5,894,052</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	15	257,850	1,025,212	77,850	305,951
Revolving fund subsidy	13	10,755	42,762	10,755	42,267
Legal reserve		2,110	8,389	-	-
Accumulated profit		114,138	453,812	77,858	305,982
<b>Total Shareholders' Equity</b>		<b>384,853</b>	<b>1,530,175</b>	<b>166,463</b>	<b>654,200</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,554,569</b>	<b>6,180,966</b>	<b>1,666,222</b>	<b>6,548,252</b>

On behalf of Hattha Kaksekar Limited

Mr. Hout Ieng Tong

General Manager

Date: 26 February 2004

The accompanying notes form an integral part of these financial statements.

**HATTHA KAKASEKAR LIMITED****STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Share capital US\$	Revolving fund subsidy US\$	Legal Reserve US\$	Retained earnings US\$	Total US\$	Total Riel '000 (At year-end exchange rate)
<b>2002</b>							
As at 1 January 2002	15	77,850	-	-	35,662	113,512	442,129
Net income for the year		-	-	-	42,196	42,196	165,830
Revolving fund subsidy		-	10,755	-	-	10,755	42,267
Currency revaluation at balance sheet date		-	-	-	-	-	3,974
<b>2003</b>							
As at 1 January 2003		77,850	10,755	-	77,858	166,463	654,200
Net income for the year		-	-	-	38,390	38,390	152,638
Legal reserve fund		-	-	2,110	(2,110)	-	-
Paid up capital in year		180,000	-	-	-	180,000	715,680
Currency revaluation at balance sheet date		-	-	-	-	-	7,657
As at 31 December 2003		<u>257,850</u>	<u>10,755</u>	<u>2,110</u>	<u>114,138</u>	<u>384,853</u>	<u>1,530,175</u>

On behalf of Hattha Kaksekar Limited

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Mr. Hout Ieng Tong  
General Manager  
Date: 26 February 2004

The accompanying notes form an integral part of these financial statements.

**HATTHA KAKSEKAR LIMITED****INCOME STATEMENT  
AS AT 31 DECEMBER 2003**

	Note	For the year ended 31 December 2003		For the year ended 31 December 2002	
		US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate)
Interest income	16	398,526	1,584,539	583,993	2,295,092
Interest expense	17	<u>12,684</u>	<u>50,431</u>	<u>71,115</u>	<u>279,482</u>
<b>Net interest income</b>		385,842	1,534,108	512,878	2,015,610
Grant income	18	38,588	153,426	61,681	242,406
Other operating income		<u>63,678</u>	<u>253,183</u>	<u>38,766</u>	<u>152,351</u>
<b>Net operating income</b>		488,108	1,940,717	613,325	2,410,367
<b>Operating expenses</b>					
Salaries and staff benefits	19	225,940	898,337	179,108	703,895
General and administrative expenses	20	102,779	408,649	123,468	485,229
Grant-related expenses	21	38,587	153,422	61,681	242,406
Depreciation	9	<u>28,138</u>	<u>111,877</u>	<u>26,954</u>	<u>105,929</u>
<b>Total operating expenses</b>		395,444	1,572,285	391,211	1,537,459
Provision for doubtful loans	7	<u>44,676</u>	<u>177,632</u>	<u>173,217</u>	<u>680,743</u>
<b>Total expenses</b>		<u>440,120</u>	<u>1,749,917</u>	<u>564,428</u>	<u>2,218,202</u>
<b>Income before income tax</b>		47,988	190,800	48,897	192,165
Income tax expense	22	<u>9,598</u>	<u>38,162</u>	<u>6,701</u>	<u>26,335</u>
<b>NET INCOME FOR THE YEAR</b>		<u>38,390</u>	<u>152,638</u>	<u>42,196</u>	<u>165,830</u>

On behalf of Hattha Kaksekar Limited

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Mr. Hout Ieng Tong  
General Manager  
Date: 26 February 2004

The accompanying notes form an integral part of these financial statements.

**HATTHA KAKASEKAR LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	For the year ended 31 December 2003		For the year ended 31 December 2002	
		US\$	Riel' 000 (At year-end exchange rate)	US\$	Riel' 000 (At year-end exchange rate )
<b>Operating activities</b>					
Net income for the year		47,988	190,800	48,897	192,165
Adjustments for:					
Provision for doubtful loans	7	44,676	177,632	173,217	680,743
Depreciation of property, plant and equipment	9	28,138	111,877	26,954	105,929
Loss on disposal of property, plant and equipment		5,978	23,769	5,185	20,377
Changes in operating assets and liabilities:					
Capital guarantee and reserve accounts with the NBC		(9,000)	(35,784)	-	-
Loans receivable, net		(58,771)	(233,674)	39,812	156,461
Grants receivable		33,421	132,882	102,235	401,783
Other assets		(1,966)	(7,817)	(5,294)	(20,805)
Deposits of members		(15,208)	(60,467)	(4,965)	(19,512)
Deferred grant income		(69,021)	(274,427)	(55,120)	(216,622)
Accruals and other liabilities		23,381	92,962	50,848	199,833
Net cash inflow from operating activities		29,616	117,753	381,769	1,500,352
Tax paid		(9,598)	(38,162)	(6,700)	(26,331)
<b>Investing activity</b>					
Purchases of property, plant and equipment	9	(26,971)	(107,237)	(49,036)	(192,711)
<b>Financing activities</b>					
Proceeds from bank loans		120,000	477,120	290,000	1,139,700
Repayment of bank loans		(310,000)	(1,232,560)	(550,000)	(2,161,500)
Revolving fund subsidy		-	-	10,755	42,267
Increase in paid up capital during the year	15	180,000	715,680	-	-
Decrease in subordinated loans		(79,195)	(314,879)	(1,621)	(6,370)
		(89,195)	(354,639)	(250,866)	(985,903)
Net (decrease)/increase in cash and cash equivalents		(96,148)	(382,285)	75,167	295,407
<b>Cash and cash equivalents as at beginning of the year</b>		177,791	698,719	102,624	399,721
Currency revaluation at balance sheet date			8,178	-	3,591
<b>Cash and cash equivalents as at end of the year</b>	6	81,643	324,612	177,791	698,719

The accompanying notes form an integral part of these financial statements.

## **HATTHA KAKSEKAR LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

#### **1. GENERAL**

Hattha Kaksekar, a non-governmental organisation (“NGO”) established in November 1996, has created Hattha Kaksekar Limited (HKL) in order to comply with Prakas No. B700-06 dated 11 January 2000, a regulation issued by the National Bank of Cambodia (“NBC”) on licensing of micro-finance institutions. The creation of HKL converted the NGO’s micro-lending operations into a licensed and commercially oriented micro-finance institution (the “MFI”). HKL aims to carry out the NGO’s micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. This conversion was achieved by transferring and assigning all the assets and liabilities of the NGO as at 27 April 2001, the effective date of transfer, to HKL including all grant contracts and the outstanding receivables arising from these contracts as at the date of transfer, conditions and obligations relating to a bank loan, all employment contracts, conditions, obligations and benefits, leases on premises or houses for office branches or headquarters, and all others related to micro-lending operations of the NGO. The transfer and assignment of all these were effected through an agreement to transfer assets and liabilities, and the subordinated loan agreement between the NGO and the MFI, both dated 27 April 2001.

On 27 April 2001, the Ministry of Commerce issued a business license dated 3 April 2001 to HKL to operate as a public limited company with the aim to provide credit and savings services for the lower segments of the market. On 19 October 2001, under license number 02 of the same date, NBC issued a license to HKL to conduct micro-finance operations for a three-year period expiring on 19 October 2004.

HKL’s head office is at House No. 39, Street 432, Sangkat Boeung Trabek Khan Cham Karmon, Phnom Penh, Kingdom of Cambodia, and operates in five branches located in the provinces of Pursat, Kampong Thom, Siem Reap and Banteay Meanchey, with primary source of revenue derived from interest income earned on providing loans to clients. It also provides a voluntary savings accounts service to its clients, and business training courses for its female borrowers.

#### **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 of the MFI, which are expressed in United States Dollar (US\$), are prepared under the historical cost convention and drawn up in accordance with International Financial Reporting Standards (IFRSs). The Company maintains its accounting records in United States dollars, the functional and widely accepted and used currency in the Kingdom of Cambodia.

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of NBC, each account of financial statements has to be converted into Khmer Riel (Riel) at the official rate of exchange as at reporting date. The translation method is not in accordance with IFRSs. As at 31 December 2003, such conversion was made at the rate of US\$ 1 to Riel 3,976 (2002: US\$ 1 to Riel 3,930).

## HATTHA KAKSEKAR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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

##### *Basis of aggregation (Continued)*

The financial statements include the financial statements of the Head Office and five branches in the provinces of Pursat, Kampong Thom, Siem Reap and Banteay Meanchey. On aggregation of balances, all significant inter-branch balances and transactions are eliminated in full.

##### *Loans*

Loans are stated net of provision for doubtful loans.

The adequacy of the provision for doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the loan portfolio, previous loss experience, current economic conditions and their effect on clients, the financial condition of individual clients, and the performance of individual 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.

Management provides monthly provision for loan losses in order that the provision is maintained at adequate level. The amount of provision established by the MFI 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 is considered as a general provision which as at 31 December 2003 amounted to US\$ 68,157 approximately Riel 271 million (2002: US\$ 14,357 approximately Riel 56,423 thousand).

The provision for doubtful loans is determined by applying defined percentages to the outstanding balances in various aging categories. Defined percentages applied are as follows:

<b>Loan status/classification</b>	<b>Percentage (%) Applied</b>
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

Loan losses (write-offs) are charged against the provision for doubtful loans when management believes that the principal amounts are unlikely to be collected.

The MFI accrues interest on its loans as it is earned. If a loan is restructured and the client has a valid reason for not being charged with interest, the MFI reverses from income any unpaid interest that may have accrued. If a loan is written-off, any related unpaid accrued interest recognised is reversed against income. If a loan becomes doubtful, a penalty is charged to the borrower on a monthly basis based on the outstanding loan balance. Such a penalty is recognised in the accounts on a cash basis. No penalty is charged in cases of natural calamities, accident on the part of the borrower and other justifiable causes.

## HATTHA KAKSEKAR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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

##### *Interest income and expense recognition*

Interest earned on loans is recognised on an accruals basis. Fee income is recognised in the income when the transaction occurs.

Interest expense on deposits from members is recognised on an accruals basis calculated based on outstanding deposit balances as at month-end. Fee expense is recognised in the income statement when the transaction occurs.

##### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged at rates calculated to write off the property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

	Estimated useful lives
Communication and transportation equipment	6 years
Furniture and fixtures	8 years
Office equipment	4 years

Expenditure for maintenance and repairs that do not extend the useful lives of assets are charged to the income statement. Gains or losses on sale of property, plant and equipment are recognised upon disposal of such assets.

##### *Grants and subsidy*

Revenue grants received to subsidise the MFI's operating expenses are released to the income statement over the periods in which they are expected to be received as stipulated in their respective grant agreements. The portion of the grants to be collected and earned subsequent to balance sheet date are shown as *Grants receivable* and *Deferred grant income*, respectively.

Subsidies received to be used exclusively by the MFI for funding its loan disbursements and which are not repayable to the donor are treated as part of shareholders' equity in the balance sheet.

##### *Foreign currency translation*

The financial statements are expressed in US\$. Assets and liabilities denominated in currencies other than US\$ are converted into US\$ at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than US\$ are converted into US\$ at the respective rates of exchange prevailing on the transaction dates. Any resulting gains or losses are taken to income statement.

# HATTHA KAKSEKAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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

#### *Deferred taxation*

Deferred taxation is calculated using the liability method on significant timing differences arising from the difference in accounting and taxation treatment of certain income and expense items. A deferred tax benefit is, however, not recognized in the financial statements except where there is a reasonable expectation of realization.

#### *Cash and cash equivalents*

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition including: cash on hand, savings account with NBC and balances with banks.

#### *Legal reserve fund*

The legal reserve fund is calculated based on 5% of net profit for the year, at a maximum of 10% of the registered capital of the Company.

#### *Comparatives*

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

### 3. CASH ON HAND

	31 December 2003		31 December 2002	
	US\$	Riel '000	US\$	Riel '000
		(At year-end exchange rate)		(At year-end exchange rate)
Sampov Meas	13,296	52,865	20,791	81,709
Steoung Sen (Kampong Thom)	10,780	42,861	22,749	89,403
Head Office	10,723	42,635	5,116	20,106
Banteay Meanchey	8,137	32,353	22,485	88,366
Stung (Kampong Thom)	8,075	32,106	27,725	108,959
Siem Reap	3,016	11,991	8,160	32,069
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	54,027	214,811	107,026	420,612
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**HATTHA KAKSEKAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**4. DEPOSITS WITH THE NATIONAL BANK OF CAMBODIA**

	<b>31 December 2003</b>		<b>31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate )	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
Capital guarantee deposit	12,900	51,290	3,900	15,327
Reserve requirement for savings deposits	847	3,368	847	3,328
Current account	175	696	175	688
	<u>13,922</u>	<u>55,354</u>	<u>4,922</u>	<u>19,343</u>

Following NBC's Prakas No. B700-006 on the "Licensing of Micro-finance Institution", each licensed MFI shall maintain an amount equal to 5% of its registered capital in a non-interest earning permanent account with the NBC.

**5. BALANCES WITH BANKS**

	<b>31 December 2003</b>		<b>31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate )	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
<i>Savings accounts</i>				
Canadia Bank	11,307	44,957	62,898	247,189
Cambodian Public Bank Limited (CPBL)	15,034	59,775	6,367	25,022
Rural Development Bank (RDB)	135	537	135	531
Aclea Bank	192	763	135	531
<i>Current account</i>				
CPBL	773	3,073	1,055	4,146
	<u>27,441</u>	<u>109,105</u>	<u>70,590</u>	<u>277,419</u>

Savings accounts earn interest at rates ranging from 1% to 3% whereas the current account does not earn interest.

**HATTHA KAKSEKAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents reported in the cash flow statement comprise the following:

	<b>31 December 2003</b>		<b>31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
Cash on hand	54,027	214,811	107,026	420,612
Current account with the NBC	175	696	175	688
Balances with banks	<u>27,441</u>	<u>109,105</u>	<u>70,590</u>	<u>277,419</u>
	<u>81,643</u>	<u>324,612</u>	<u>177,791</u>	<u>698,719</u>

**7. LOANS RECEIVABLE, NET**

All loans were provided to Cambodian rural residents. The details of loans receivable by location are as follows:

	<b>31 December 2003</b>		<b>31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
Banteay Meanchey	330,862	1,315,507	254,589	1,000,535
Siem Reap	325,289	1,293,349	368,497	1,448,193
Sampov Meas, Pursat	294,942	1,172,689	346,622	1,362,224
Stung, Kampong Thom	221,619	881,157	176,278	692,773
Steoung Sen, Kampong Thom	<u>204,438</u>	<u>812,846</u>	<u>217,379</u>	<u>854,300</u>
	1,377,150	5,475,548	1,363,365	5,358,025
Provision for doubtful loans	<u>(176,248)</u>	<u>(700,762)</u>	<u>(176,558)</u>	<u>(693,873)</u>
Loans receivable, net	<u>1,200,902</u>	<u>4,774,786</u>	<u>1,186,807</u>	<u>4,664,152</u>

Details of gross loans receivable, by sector, are as follows:

	<b>31 December 2003</b>		<b>31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
Small business loans	1,050,060	4,175,038	1,321,152	5,192,128
Agricultural loans	<u>327,090</u>	<u>1,300,510</u>	<u>42,213</u>	<u>165,897</u>
	<u>1,377,150</u>	<u>5,475,548</u>	<u>1,363,365</u>	<u>5,358,025</u>

**HATTHA KAKSEKAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**7. LOANS RECEIVABLE, NET (Continued)**

The details of interest rate in the year 2003 are as follows:

	<b>Loan principal US\$</b>	<b>Monthly Interest Rate</b>	<b>Loan Term in Months</b>
Small business loans:	50<1000	3%	1 - 10
	1100<2500	2.5%	10-18
	2600<3000	2%	18-24
Agricultural loans	1<500	4%	1 - 12

The details of interest rates in the year 2002 are as follows:

	<b>Monthly Interest Rate</b>	<b>Loan Term in Months</b>
Small business loans	3%	1 - 10
Agricultural loans	4%	1 - 12

The details of gross loans receivable by currency are as follows:

	<b>31 December 2003</b>		<b>31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
In US\$	1,285,612	5,111,593	1,280,146	5,030,974
In Thai Baht	<u>91,538</u>	<u>363,955</u>	<u>83,219</u>	<u>327,051</u>
	<u><u>1,377,150</u></u>	<u><u>5,475,548</u></u>	<u><u>1,363,365</u></u>	<u><u>5,358,025</u></u>

Movements in provision for doubtful loans are as follows:

	<b>31 December 2003</b>		<b>31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate )	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
Opening balance	176,558	701,994	154,414	606,847
Provision for the year	44,676	177,632	173,217	680,743
Write-offs	<u>(44,986)</u>	<u>(178,864)</u>	<u>(151,073)</u>	<u>(593,717)</u>
Closing balance	<u><u>176,248</u></u>	<u><u>700,762</u></u>	<u><u>176,558</u></u>	<u><u>693,873</u></u>

## HATTHA KAKSEKAR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

#### 8. GRANTS RECEIVABLE

The details of grants receivable are as follows:

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Ministry of Economy and Finance - Agence Francaise de Development (AFD)				
Technical assistance	111,993	445,284	145,414	571,477
Total	<u>111,993</u>	<u>445,284</u>	<u>145,414</u>	<u>571,477</u>

AFD's grant for technical assistance consists of:

1. remuneration for a technical advisor for a period of three years to look after the MFI's operation and strategy, and
2. remuneration for an accounting advisor for a period of eighteen months to strengthen the MFI's finance unit and oversee the computerization of the accounting department, which includes management information systems and human resource development.

HKL submits quarterly reports showing the degree of its accomplishment to date in terms of performance indicators specified by AFD and one final report at the end of the third year. All requests for payments must be supported by copy of bills or invoices, to be sent to the project coordinator at the Ministry of Economy and Finance who will then pass these requests to AFD to process payment.

#### 9. PROPERTY, PLANT AND EQUIPMENT

	Transportation	Office	Communication	Furniture &	Total
	equipment	equipment	equipment	fixture	
	US\$	US\$	US\$	US\$	US\$
<b>At valuation</b>					
At 1 January 2003	85,631	49,861	13,796	15,665	164,953
Additions	13,782	9,000	2,142	2,047	26,971
Disposals	(9,711)	(5,385)	-	-	(15,096)
At 31 December 2003	<u>89,702</u>	<u>53,476</u>	<u>15,938</u>	<u>17,712</u>	<u>176,828</u>
<b>Accumulated depreciation</b>					
At 1 January 2003	28,293	22,416	8,397	6,517	65,623
Charge for the year	14,072	9,813	2,222	2,031	28,138
Disposals	(8,536)	(582)	-	-	(9,118)
At 31 December 2003	<u>33,829</u>	<u>31,647</u>	<u>10,619</u>	<u>8,548</u>	<u>84,643</u>

# HATTHA KAKSEKAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### Net book value at

31 December 2003	<u>55,873</u>	<u>21,829</u>	<u>5,319</u>	<u>9,164</u>	<u>92,185</u>
31 December 2002	<u>57,338</u>	<u>27,445</u>	<u>5,399</u>	<u>9,148</u>	<u>99,330</u>

Bank borrowings are secured on all property, plant and equipment of the MFI (see note 10).

### 10. BANK LOANS

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end Exchange rate )	US\$	Riel '000 (At year-end exchange rate)
RDB (ADB-funded)	50,000	198,800	190,000	746,700
CORDAID	50,000	198,800	-	-
Alterfine	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>393,000</u>
	<u>100,000</u>	<u>397,600</u>	<u>290,000</u>	<u>1,139,700</u>

On 23 January 2002, HKL entered into a loan agreement with the Rural Development Bank (RDB) for an aggregate amount of US\$ 1,000,000 for a term of three years. The loan bears annual interest at 6-month LIBOR rate plus 4% and is secured on all property, plant and equipment of the MFI (see note 9). The principal and interest repayments are due one year after drawdown. Minimum loan proceeds should be US\$ 50,000. The Bank will charge an annual 1% commission fee on the proceeds received.

On 13 October 2003, HKL entered into a loan agreement with CORDAID for US\$ 260,080 for a term of 5 years from 2003 to 2008. The loan bears interest at 6 % a year. The principal and interest repayments will be in six equal installments, the first repayment of each disbursement is to be made 12 months after the first disbursement under this loan agreement and thereafter every six months.

The outstanding Alterfine loan as at 31 December 2002 was fully paid in 2003 at an annual interest of 7.45%. The principal and interest repayments were over five equal installments commencing at the end of the first year (with a grace period of one year) and thereafter every six months. The MFI was charged an administration fee of US\$ 800. This loan facility is for US\$ 250,000 and is deemed over.

### 11. SUBORDINATED LOANS

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate )
Hattha Kaksekar, NGO	464,065	1,845,123	543,260	2,135,012
MoEF - AFD	<u>313,576</u>	<u>1,246,778</u>	<u>313,576</u>	<u>1,232,353</u>
	<u>777,641</u>	<u>3,091,901</u>	<u>856,836</u>	<u>3,367,365</u>

## HATTHA KAKSEKAR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

#### 11. SUBORDINATED LOANS (Continued)

Hatha Kaksekar (HK) NGO has loaned funds to HKL following the transfer and assignment of all micro-finance related assets, liabilities and operations of the NGO to the MFI as discussed in note 1. Among the terms and conditions of the subordinated loan agreement dated 27 April 2001 between the NGO and HKL are the following:

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

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

HKL also accepts the liability for repaying the total value of the loan to the MoEF of the Royal Government of Cambodia (RGOC) under the terms and conditions of the subordinated loan agreement dated 27 December 2000, most notably, that the loan will not be repayable to the RGOC unless the MFI ceases to provide credit to the rural population of Cambodia or unless it decides to repay all or part of the loan.

#### 12. DEPOSITS OF MEMBERS

The details of deposits of members are as follows:

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
<i>By location</i>				
Sampov Meas, Pursat	18,859	74,983	27,148	106,692
Siem Reap	11,638	46,273	16,270	63,941
Banteay Meanchey	11,099	44,130	6,574	25,836
Stung, Kampong Thom	10,106	40,182	14,550	57,182
Steoung Sen, Kampong Thom	8,200	32,603	11,467	45,065
Head office	2,524	10,035	1,625	6,386
	<u>62,426</u>	<u>248,206</u>	<u>77,634</u>	<u>305,102</u>

## HATTHA KAKSEKAR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

#### 12. DEPOSITS OF MEMBERS (Continued)

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
<i>By currency</i>				
Compulsory savings				
In US\$	53,924	214,402	65,102	255,851
In Thai Baht	5,400	21,470	4,433	17,422
Voluntary savings				
In US\$	2,934	11,666	5,957	23,411
In Riel	168	668	2,142	8,418
	<u>62,426</u>	<u>248,206</u>	<u>77,634</u>	<u>305,102</u>

Voluntary deposits bear interest at the following rates:

<u>US\$</u>	Interest rate per annum		Interest rate per annum	
	%	<u>Riel</u>	%	
1.00 – 5.00	0	4,000 – 20,000	0	
6.00 – 30.00	1	20,100 – 100,000	3	
31.00 – 150.00	3	100,100 – 600,000	5	
More than 150.00	4	More than 600,000	7	

Compulsory deposits, where the individual deposits are more than US \$10, bear annual interest at 6%.

On 1 November 2003 HKL management approved to stop providing interest on individual deposits under the Compulsory deposits category.

#### 13. DEFERRED GRANT INCOME

##### i) Deferred grant income

This account represents the portion of the grants receivable transferred to the MFI which are to be recognised as grant income subsequent to balance sheet date, following the MFI's fulfillment of certain terms and conditions in the respective grant agreements. The details are as follows:

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
AFD (see note 8)	111,993	445,284	176,053	691,888
Fixed asset grant from SCF	-	-	6,000	23,580
	<u>-</u>	<u>-</u>	<u>182,053</u>	<u>715,468</u>
Amortisation during the year	-	-	(1,039)	(4,083)
	<u>111,993</u>	<u>445,284</u>	<u>181,014</u>	<u>711,385</u>

## HATTHA KAKSEKAR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

#### 13. DEFERRED GRANT INCOME (Continued)

##### ii) Revolving fund subsidy

On October 30, 2002, a collaboration agreement was entered into by Save the Children Federation, Inc., (SCF), a non-profit organisation, with HKL. The objective is to increase access to financial services for poor women micro-entrepreneurs in Cambodia. SCF approved a budget of US\$ 20,000 for the project, allocated as follows:

- a. Loan fund for women micro-entrepreneurs US\$ 12,400 (US\$10,755 represents portion received to date shown as part of shareholders' equity),
- b. Equipment US\$ 6,000; and
- c. Reporting and management US\$1,600.

#### 14. ACCRUALS AND OTHER LIABILITIES

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate )	US\$	Riel '000 (At year-end exchange rate)
Accrual of staff benefits	63,102	250,893	45,577	179,118
Other liabilities	54,308	215,929	41,997	165,048
Taxation – income tax	246	978	6,701	26,334
	<u>117,656</u>	<u>467,800</u>	<u>94,275</u>	<u>370,500</u>

#### 15. SHARE CAPITAL

The details of authorised, issued and fully paid share capital of the MFI are as follows:

##### 31 December 2003

Shareholder	% of ownership	Number of shares	Price/Share US\$	Total US\$	Total Riel'000
Hattha Kaksekar, NGO	49.85%	4,285	30	128,550	511,115
SIDI	19.95%	1,715	30	51,450	204,565
Cordaid	19.40%	1,667	30	50,010	198,840
Staff association	9.82%	844	30	25,320	100,672
Mr. Jean Thiboutot (director of HKL)	0.98%	84	30	2,520	10,020
	<u>100%</u>	<u>8,595</u>	<u>30</u>	<u>257,850</u>	<u>1,025,212</u>

**HATTHA KAKSEKAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**15. SHARE CAPITAL (Continued)**

*31 December 2002*

<i>Shareholder</i>	<i>% of owner ship</i>	<i>Number of shares</i>	<i>Price/Share US\$</i>	<i>Total US\$</i>	<i>Total Riel'000</i>
Hattha Kaksekar, NGO	44.97%	1,167	30	35,010	137,589
Staff association	32.52%	844	30	25,320	99,508
SIDI	19.27%	500	30	15,000	58,950
Mr. Jean Thiboutot (director of HKL)	3.24%	84	30	2,520	9,904
	<u>100%</u>	<u>2,595</u>	<u>30</u>	<u>77,850</u>	<u>305,951</u>

During the year, HKL issued 6,000 new shares for US\$180,000. Movement of share capital during the year was as follows:

<i>Shareholders</i>	<i>Hattha Kaksekar, NGO US\$</i>	<i>SIDI US\$</i>	<i>Cordaid US\$</i>	<i>Staff association US\$</i>	<i>Mr. Jean Thiboutot US\$</i>	<i>Total US\$</i>
Balance as at 1 January 2003	35,010	15,000	-	25,320	2,520	77,850
- issue of shares for cash	93,540	36,450	50,010	-	-	180,000
Balance as at 31 December 2003	<u>128,550</u>	<u>51,450</u>	<u>50,010</u>	<u>25,320</u>	<u>2,520</u>	<u>257,850</u>

**16. INTEREST INCOME**

	<b>For the year ended 31 December 2003</b>		<b>For the year ended 31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000 (At year-end exchange rate)</b>	<b>US\$</b>	<b>Riel '000 (At year-end exchange rate)</b>
Loans receivable (current and past due loans)	395,811	1,573,744	583,261	2,292,216
Interest income on bank deposits	<u>2,715</u>	<u>10,795</u>	<u>732</u>	<u>2,876</u>
	<u>398,526</u>	<u>1,584,539</u>	<u>583,993</u>	<u>2,295,092</u>

**HATTHA KAKSEKAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**17. INTEREST EXPENSE**

	<b>For the year ended 31 December 2003</b>		<b>For the year ended 31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate )
Bank loan	10,448	41,541	63,490	249,516
Deposits of members	910	3,618	2,424	9,526
Others	1,326	5,272	5,201	20,440
	<u>12,684</u>	<u>50,431</u>	<u>71,115</u>	<u>279,482</u>

**18. GRANT INCOME**

	<b>For the year ended 31 December 2003</b>		<b>For the year ended 31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate )
AFD	38,588	153,426	60,081	236,118
SCF	-	-	1,600	6,288
	<u>38,588</u>	<u>153,426</u>	<u>61,681</u>	<u>242,406</u>

**19. SALARIES AND STAFF BENEFITS**

	<b>For the year ended 31 December 2003</b>		<b>For the year ended 31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate )
Salaries and Wages	184,884	735,099	156,654	615,650
Staff benefits	34,476	137,076	22,454	88,245
Training costs	4,920	19,562	-	-
BoD member (Honoraria)	1,660	6,600	-	-
	<u>225,940</u>	<u>898,337</u>	<u>179,108</u>	<u>703,895</u>

As at 31 December 2003, the Branch has approximately 106 employees (2002: 149 employees).

**HATTHA KAKSEKAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**20. GENERAL AND ADMINISTRATIVE EXPENSE**

	<b>For the year ended 31 December 2003</b>		<b>For the year ended 31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000 (At year-end exchange rate)</b>	<b>US\$</b>	<b>Riel '000 (At year-end exchange rate )</b>
Rental	18,031	71,691	13,511	53,098
Consultant and professional fees	16,305	64,829	15,068	59,217
Office supplies	15,169	60,312	13,391	52,627
Fuel costs	11,524	45,819	8,103	31,845
Communication	9,434	37,510	4,895	19,237
Perdiem and allowance	9,200	36,579	5,931	23,309
Utilities costs	5,102	20,286	3,383	13,295
Transportation costs	4,117	16,369	1,452	5,706
Promotion and advertising	3,517	13,984	1,746	6,862
Repair and maintenance	3,184	12,659	3,848	15,123
Public relationship	2,557	10,167	1,941	7,628
Accrued interest receivable written off	938	3,729	40,223	158,076
Insurance	248	986	143	562
Others	3,453	13,729	9,833	38,644
	<u>102,779</u>	<u>408,649</u>	<u>123,468</u>	<u>485,229</u>

**21. GRANT RELATED EXPENSES**

	<b>For the year ended 31 December 2003</b>		<b>For the year ended 31 December 2002</b>	
	<b>US\$</b>	<b>Riel '000 (At year-end exchange rate)</b>	<b>US\$</b>	<b>Riel '000 (At year-end exchange rate )</b>
Technical assistance fee	23,615	93,893	50,850	199,840
Training costs	14,972	59,529	9,231	36,278
Reporting and management	-	-	1,600	6,288
	<u>38,587</u>	<u>153,422</u>	<u>61,681</u>	<u>242,406</u>

# HATTHA KAKSEKAR LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 22. TAXATION

	For the year ended 31 December 2003		For the year ended 31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate )
Current taxation	9,598	38,162	6,701	26,335
	<u>9,598</u>	<u>38,162</u>	<u>6,701</u>	<u>26,335</u>

Under the 1997 Law on Taxation, the Company has obligation to pay Tax on Profit at 20% of taxable profit or Minimum Tax at 1% of total revenue, whichever is higher.

The reconciliation of effective tax rate, subject to agreement with the Cambodian Tax Department, is as follows:

	2003 US\$	2002 US\$
Accounting profit before income tax	<u>47,988</u>	<u>48,897</u>
Income tax using Tax on Profit at 20%/Minimum tax at 1% of turnover	9,598	9,779
Income not subject to tax	-	(3,078)
Current income tax expense	<u>9,598</u>	<u>6,701</u>

Income tax expense for the year 2002 represents the minimum tax the MFI is required to pay, calculated at 1% of turnover.

Income tax expense is 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.

## HATTHA KAKSEKAR LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

#### 23. CURRENCY ANALYSIS

As at 31 December 2003, all the assets and liabilities of the MFI are in US\$ except for the loans receivable in Thai baht equivalent to US\$ 91,538 (2002: US\$ 83,218) as disclosed in note 7, and deposits of members in Khmer riel and Thai baht equivalent to US\$ 168 and US\$ 5,399 respectively (2002: US\$ 6,381 in Khmer riel) as disclosed in 12, all the assets and liabilities of the MFI are in US\$.

#### 24. MATURITY PROFILE

The maturity profile of assets and liabilities are as follows:

	Total US\$	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	No fixed date of maturity US\$
<b>31 December 2003</b>							
<b>ASSETS</b>							
Cash on hand	54,027	54,027	-	-	-	-	-
Deposits with the NBC	13,922	-	1,022	-	-	-	12,900
Balances with banks	27,441	27,441	-	-	-	-	-
Loans receivable, net	1,200,902	601,433	299,735	179,841	119,893	-	-
Grants receivable	111,993	-	-	111,993	-	-	-
Property, plant and equipment	92,185	-	-	-	33,338	58,847	-
Other receivables	54,099	-	-	8,501	-	-	45,598
<b>TOTAL ASSETS</b>	<b>1,554,569</b>	<b>682,901</b>	<b>300,757</b>	<b>300,335</b>	<b>153,231</b>	<b>58,847</b>	<b>58,498</b>
<b>LIABILITIES</b>							
Bank loans	100,000	-	-	50,000	50,000	-	-
Subordinated loans	777,641	-	-	-	-	-	777,641
Deposits of members	62,426	3,102	59,324	-	-	-	-
Deferred grant income	111,993	-	-	111,993	-	-	-
Other liabilities	117,656	4,096	246	70,157	-	-	43,157
<b>TOTAL LIABILITIES</b>	<b>1,169,716</b>	<b>7,198</b>	<b>59,570</b>	<b>232,150</b>	<b>50,000</b>	<b>-</b>	<b>820,798</b>
<b>Net liquidity surplus/(gap)</b>	<b>384,853</b>	<b>675,703</b>	<b>241,187</b>	<b>68,185</b>	<b>103,231</b>	<b>58,847</b>	<b>(762,300)</b>
<b>31 December 2002</b>							
Total Assets	1,666,222	772,383	297,042	349,642	145,854	71,884	29,417
Total Liabilities	1,499,759	21,131	69,534	424,038	104,961	-	880,095
<b>Net liquidity surplus/(gap)</b>	<b>166,463</b>	<b>751,252</b>	<b>227,508</b>	<b>(74,396)</b>	<b>40,893</b>	<b>71,884</b>	<b>(850,678)</b>

**HATTHA KAKSEKAR LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

In the opinion of the management, the carrying amounts of the 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 to customers are mainly held to maturity. Fair value approximates to the book value of loans adjusted for provision for doubtful loans.