

HATTHA KAKSEKAR LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

HATTHA KAKSEKAR LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

CONTENTS

	Pages
STATEMENT OF THE BOARD OF DIRECTORS	1 - 3
INDEPENDENT AUDITOR'S REPORT	4 - 5
FINANCIAL STATEMENTS	
Balance sheet	6
Income statement	7
Statement of changes in equity	8
Cash flow statement	9
Notes to the financial statements	10 - 40
APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS*	41 - 48

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

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Hattha Kaksekar Limited (“HKL or the Company”) presents its report together with the audited financial statements of HKL for the year ended 31 December 2006.

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 (“Central Bank”) on the licensing of micro-finance institutions. The creation of HKL converted the NGO’s micro-lending operations into a licensed and commercially oriented micro-finance institution (“the MFI”). HKL aims to carry out the NGO’s micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. 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 the micro-lending operations of the NGO. The transfer and assignment of these were put into effect through an agreement to transfer the assets and liabilities, and the subordinated loan agreement between the NGO and MFI, both dated 27 April 2001.

PRINCIPAL ACTIVITIES

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

HKL operates in seven branches located in Pursat, Kampong Thom, Siem Reap, Banteay Meanchey, Kampong Cham provinces and Phnom Penh, with the primary source of revenue being interest income earned on providing loans to clients. It also provides savings accounts to its clients and the public in these provinces and the city.

RESULTS AND DIVIDENDS

The net income for the year ended 31 December 2006, after taxation, amounted to US\$446,983. No dividends were paid or declared during the 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 (“BOD”)

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

Ms. Alka Couet, chairperson
Mr. Hout Ieng Tong;
Ms. Im Vandith;
Mr. Dy Davuth;
Mr. Srey Chanthy; and
Mr. Tony Fernandes

DIRECTORS’ BENEFITS

No members held any controlling interest in the equity of the Company except for Mr. Dy Davuth who holds 84 shares in the Company, with a par value of Riel 117,000 (equivalent to US\$30) each, representing 0.98%.

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

No director of the Company has received or become entitled to receive any benefit (other than the benefit received by the directors as disclosed in note 29 to the financial statements) by reason of a contract made by the Company or with a firm which the director is a member, or with a company which the director has a material financial interest.

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

The BOD is responsible for ensuring that the financial statements present fairly, in all material respects, of the financial position of HKL as at 31 December 2006, and of the financial performance and its cash flows for the year then ended. In preparing these financial statements, the BOD is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there has been any departure in the interests of fairly 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 HKL will continue operations in the foreseeable future;
- v) set overall policies for HKL, ratify all decisions and actions by the BOD that have a material effect on the operations and performance of HKL, and ensure they have been properly reflected in the financial statements.

The BOD confirms that HKL has complied with these requirements in preparing the financial statements.

On behalf of the Board of Directors of Hattha Kaksekar Limited, we do hereby state that the accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of Hattha Kaksekar Limited as at 31 December 2006 and financial performance and its cash flows for the year then ended and have been properly drawn up in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

On behalf of the Board of Directors,


Hout Ieng Tong
General Manager

Phnom Penh, Kingdom of Cambodia
Date: 23 March 2007

Independent auditor's report

To the Shareholders of Hattha Kaksekar Limited

We have audited the accompanying financial statements of Hattha Kaksekar Limited which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes on pages 6 to 40.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Limited



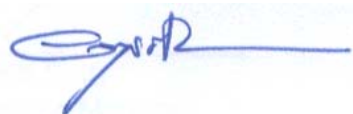
By Senaka Fernando
Senior Manager

Phnom Penh, Kingdom of Cambodia
Date: 23 March 2007

HATTHA KAKSEKAR LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Notes	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
ASSETS					
Cash on hand	3	46,763	34,503	189,717	141,876
Balances with the Central Bank	4	14,425	13,922	58,522	57,247
Balances with banks	5	250,044	292,273	1,014,429	1,201,827
Loans and advances to customers	7	5,856,664	3,577,782	23,760,486	14,711,840
Grants receivable	8	58,566	19,209	237,602	78,987
Other receivables		24,354	14,744	98,804	60,626
Accrued interest income		95,794	8,846	388,636	36,375
Property and equipment	9	251,468	154,635	1,020,206	635,859
Intangible assets	10	22,611	-	91,733	-
Total assets		6,620,689	4,115,914	26,860,135	16,924,637
LIABILITIES AND EQUITY					
LIABILITIES					
Borrowings	11	3,893,825	2,116,733	15,797,247	8,704,006
Subordinated debts	12	777,641	777,641	3,154,890	3,197,660
Customers' deposits	13	257,174	170,323	1,043,354	700,368
Deferred grant income	14	170,245	71,537	690,684	294,160
Accruals and other liabilities	15	320,704	221,998	1,301,096	912,856
Deferred tax liabilities	16	2,743	6,308	11,128	25,938
Total liabilities		5,422,332	3,364,540	21,998,399	13,834,988
EQUITY					
Share capital	17	257,850	257,850	1,046,098	1,060,279
Legal reserve		22,355	9,691	90,694	39,849
Retained earnings		918,152	483,833	3,724,944	1,989,521
Total equity		1,198,357	751,374	4,861,736	3,089,649
TOTAL LIABILITIES AND EQUITY		6,620,689	4,115,914	26,860,135	16,924,637



Ouch Soth
Finance Manager
Date: 23 March 2007

The accompanying notes from pages 10 to 40 are an integral part of these financial statements.

HATTHA KAKSEKAR LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Interest income	18	1,542,631	963,357	6,258,454	3,961,324
Interest expense	19	<u>294,673</u>	<u>151,265</u>	<u>1,195,488</u>	<u>622,002</u>
Net interest income		1,247,958	812,092	5,062,966	3,339,322
Grant income	20	123,305	70,545	500,248	290,081
Other income		<u>78,215</u>	<u>77,128</u>	<u>317,318</u>	<u>317,150</u>
Net operating income		1,449,478	959,765	5,880,532	3,946,553
Operating expenses					
Salaries and staff benefits	21	419,940	325,371	1,703,697	1,337,926
General and administrative expenses	22	292,040	208,493	1,184,806	857,323
Grant related expenses	23	75,878	46,434	307,837	190,937
Depreciation	9	<u>67,246</u>	<u>40,668</u>	<u>272,817</u>	<u>167,227</u>
Total operating expenses		855,104	620,966	3,469,157	2,553,413
Provision for doubtful loans	7	<u>30,220</u>	<u>21,397</u>	<u>122,603</u>	<u>87,984</u>
Total expenses		<u>885,324</u>	<u>642,363</u>	<u>3,591,760</u>	<u>2,641,397</u>
Income before income tax		564,154	317,402	2,288,772	1,305,156
Income tax expense	24	<u>117,171</u>	<u>64,118</u>	<u>475,363</u>	<u>263,653</u>
NET INCOME FOR THE YEAR		<u><u>446,983</u></u>	<u><u>253,284</u></u>	<u><u>1,813,409</u></u>	<u><u>1,041,503</u></u>

Ouch Soth
Finance Manager
Date: 23 March 2007

The accompanying notes from pages 10 to 40 are an integral part of these financial statements.

HATTHA KAKSEKAR LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Share capital US\$	Legal Reserve US\$	Retained earnings US\$	Total US\$	Total Riel' 000 <i>(Unaudited)</i>
2005					
As at 1 January 2005	257,850	4,030	236,210	498,090	2,005,809
Net income for the year	-	-	253,284	253,284	1,041,504
Transfer to legal reserve	-	5,661	(5,661)	-	-
Currency revaluation at balance sheet date	-	-	-	-	42,336
	<u>257,850</u>	<u>9,691</u>	<u>483,833</u>	<u>751,374</u>	<u>3,089,649</u>
2006					
As at 1 January 2006	257,850	9,691	483,833	751,374	3,089,649
Net income for the year	-	-	446,983	446,983	1,813,409
Transfer to legal reserve	-	12,664	(12,664)	-	-
Currency revaluation at balance sheet date	-	-	-	-	(41,322)
As at 31 December 2006	<u>257,850</u>	<u>22,355</u>	<u>918,152</u>	<u>1,198,357</u>	<u>4,861,736</u>



 Ouch Soth
 Finance Manager
 Date: 23 March 2007

The accompanying notes from pages 10 to 40 are an integral part of these financial statements.

HATTHA KAKSEKAR LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Operating activities					
Net profit before tax		564,154	317,402	2,288,773	1,305,157
Adjustments for:					
Provision for doubtful loans	7	30,220	21,397	122,603	87,984
Depreciation and amortisation	9, 10	67,246	40,668	272,817	167,227
Gain on disposal of property and equipment		(1,824)	(2,349)	(7,400)	(9,659)
Cash flows from operating profits before changes in operating assets and liabilities		659,796	377,118	2,676,793	1,550,709
Changes in operating assets and liabilities:					
Loans and advances to customers		(2,309,102)	(1,361,560)	(9,368,027)	(5,598,735)
Grants receivable		(39,357)	48,809	(159,671)	200,703
Other receivable		(9,610)	12,628	(38,989)	51,926
Accrued interest income		(86,948)	6,901	(352,748)	28,377
Customer's deposits		86,851	72,896	352,355	299,748
Deferred grant income		98,708	6,569	400,458	27,012
Accruals and other liabilities		(3,803)	4,679	(15,429)	19,240
Deferred tax liabilities		(3,565)	6,308	(14,463)	25,938
Tax paid		(14,662)	(9,980)	(59,484)	(41,038)
Net cash outflow from operating activities		(1,621,692)	(835,632)	(6,579,205)	(3,436,120)
Investing activities					
Purchases of property and equipment	9	(168,377)	(117,930)	(683,105)	(484,928)
Purchases of intangible assets	10	(28,000)	-	(113,596)	-
Proceeds from disposal of property and equipment		11,511	11,252	46,700	46,268
Reserve deposits with the Central Bank		(500)	-	(2,029)	-
Net cash used in investing activities		(185,366)	(106,678)	(752,030)	(438,660)
Financing activities					
Proceeds from borrowings		3,098,300	1,449,999	12,569,803	5,962,396
Repayments of borrowings		(1,321,208)	(694,180)	(5,360,141)	(2,854,468)
Net cash inflow from financing activities		1,777,092	755,819	7,209,662	3,107,928
Net decrease in cash and cash equivalents		(29,966)	(186,491)	(121,573)	(766,852)
Cash and cash equivalents as at beginning of the year		326,951	513,442	1,344,423	2,067,631
Currency revaluation at balance sheet date		-	-	(17,982)	43,644
Cash and cash equivalents as at end of the year	6	296,985	326,951	1,204,868	1,344,423

The accompanying notes from pages 10 to 40 are an integral part of these financial statements.

HATTHA KAKASEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. GENERAL

Hattha Kaksekar, a non-governmental organisation (“NGO”) established in November 1996, has created Hattha Kaksekar Limited (“HKL or the Company”) in order to comply with Prakas No. B700-06 dated 11 January 2000, a regulation issued by the National Bank of Cambodia (“Central Bank”) on the licensing of micro-finance institutions. The creation of HKL converted the NGO’s micro-lending operations into a licensed and commercially oriented micro-finance institution (the “MFI”). HKL aims to carry out the NGO’s micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. 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 the micro-lending operations of the NGO. The transfer and assignment of all these were put into effect through an agreement to transfer assets and liabilities, and the subordinated loan agreement between the NGO and the MFI, both dated 27 April 2001.

On 27 April 2001, the Ministry of Commerce issued a business license dated 3 April 2001 to HKL to operate as a public limited company with the aim of providing credit and saving services for the lower segments of the market. On 19 October 2001, under license number 02, the Central Bank issued a license to HKL to conduct micro-finance operations for a three-year period which expired on 19 October 2004. On 12 July 2004, HKL obtained a new license for a three-year period which will expire on 19 October 2007. HKL is in the process of applying renewal of its indefinite period of license from the Central Bank. Management expected to obtain the renewal license before 19 October 2007.

HKL’s head office is at House No. 239, Street 63, Sangkat Boeung Kengkang 1, Khan Cham Karmon, Phnom Penh, Kingdom of Cambodia, and it operates in seven branches located in Pursat, Kampong Thom, Siem Reap, Banteay Meanchey, Kampong Cham provinces and Phnom Penh. The primary source of revenue is derived from interest income earned on providing loans. It also provides saving accounts to its clients and the public.

As at 31 December 2006, the Company employed 169 employees (2005: 139 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

The financial statements of the Company, which are expressed in United States Dollars ("US\$"), are prepared under the historical cost convention and drawn up in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards ("CAS"). The Company maintains its accounting records in US\$, the functional and widely accepted currency in Cambodia. Certain comparative figures have been reclassified in conformity with the current year's presentation.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and the financial performance and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are only addressed to those who are informed about CAS.

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the Central Bank, each account of the financial statements has to be converted into Khmer Riel ("Riel") at the official rate of exchange regulated by the Central Bank as at the reporting date. The financial statements expressed in Riel do not form part of the audited financial statements and are not for the use by other parties other than the Central Bank. As at 31 December 2006, such conversion was made at the rate of US\$1 to Riel 4,057 (2005: US\$1 to Riel 4,112).

Basis of aggregation

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

Loans and advances to customers

Loans are stated net of provision for bad and doubtful loans.

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management. The 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 the terms of the contract. The provision for doubtful loans charged to expense is based on the management's judgment of the amount necessary to maintain the provision balance at a level adequate to absorb losses.

The Company provides monthly provision for loan losses based on percentages in the table below to comply with the requirement of the Central Bank Prakas No. B-7-02-186 on the classification and provisioning for bad and doubtful debts, including interest in suspense. An additional provision is made in the financial statements in order that the provision is maintained at an adequate level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Loans and advances to customers (continued)

Loan status/classification	Percentages applied (%)
<i>Loan of one year or less</i>	
Standard	0
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
<i>Loan of more than one year</i>	
Standard	0
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

In addition to minimum specific provisioning, HKL provides a general provision based on the Company's experience and industry prospects.

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

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

Interest income and expense recognition

Interest earned on loans is recognised on an accruals basis taking into consideration the principal amount of loans outstanding. Interest on loans is calculated on a monthly basis using the balances of the principal amount outstanding as at the previous month end.

Expenses are recognised on an accrual basis.

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

	<i>Estimated useful lives</i>
Communication and motor vehicles	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 the sale of property and equipment are recognised upon the disposal of such assets.

When assets are sold, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the income statement. Gains or losses arising from the disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of disposal.

Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of four years using the straight-line method.

Grants

The grants to be collected and earned based on the signed agreements are shown as *Grants receivable* and *Deferred grant income*, respectively.

Grant is recognised as income over the periods necessary to match with related costs which they are intended to compensate, on a systematic basis.

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provident funds

Provident funds are conditional on the employees of HKL remaining in the service of HKL up to retirement age and the completion of a minimum service period as follows:

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

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

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

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

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The Company maintains its accounting records and presents its financial statements in United States dollars "US\$", the functional.

Transactions and balances

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

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents include cash on hand, current account with the Central Bank and balances with banks with less than 90 days' maturity from the date of acquisition.

Legal reserve

Based on the memorandum and articles of association, HKL has to transfer to this reserve fund 5% of its prior year's net income. The transfer to this reserve fund shall cease when the reserve fund equals to 10% of HKL's registered capital.

Related parties

Related parties are those individuals and companies where one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

3. CASH ON HAND

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Sampov Meas	804	3,903	3,262	16,049
Steoung Sen (Kampong Thom)	1,361	2,894	5,522	11,900
Head Office	25,481	14,364	103,376	59,065
Phnom Penh	4,507	2,499	18,285	10,276
Banteay Meanchey	3,919	5,727	15,899	23,549
Stung (Kampong Thom)	5,621	4,015	22,804	16,510
Siem Reap	3,435	1,101	13,936	4,527
Kompong cham	1,635	-	6,633	-
	<u>46,763</u>	<u>34,503</u>	<u>189,717</u>	<u>141,876</u>

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

4. BALANCES WITH THE CENTRAL BANK

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Capital guarantee deposit	12,900	12,900	52,335	53,045
Reserve requirement for savings deposits	1,347	847	5,465	3,482
Current account	178	175	722	720
	<u>14,425</u>	<u>13,922</u>	<u>58,522</u>	<u>57,247</u>

Following the Central Bank'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. Capital guarantee deposit is interest bearing at 3/8 SIBOR. The interest payment shall be settled semi-annually by the Central Bank.

5. BALANCES WITH BANKS

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Savings accounts				
Canadia Bank	7,959	26,575	32,290	109,276
Cambodian Public Bank Limited ("CPBL")	9,686	129,594	39,296	532,891
Aceda Bank	232,104	135,827	941,644	558,521
Current accounts				
CPBL	74	4	302	16
Rural Development Bank ("RDB")	221	273	897	1,123
	<u>250,044</u>	<u>292,273</u>	<u>1,014,429</u>	<u>1,201,827</u>

Savings accounts earn interest at rates ranging from 0.50% to 1.5% per annum whereas the current accounts do not earn interest.

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

6. CASH AND CASH EQUIVALENTS

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

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Cash on hand	46,763	34,503	189,717	141,876
Current account with the Central Bank	178	175	722	720
Balances with banks	<u>250,044</u>	<u>292,273</u>	<u>1,014,429</u>	<u>1,201,827</u>
	<u>296,985</u>	<u>326,951</u>	<u>1,204,868</u>	<u>1,344,423</u>

7. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by branches

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Siem Reap	1,481,028	888,710	6,008,531	3,654,376
Banteay Meanchey	1,097,705	834,310	4,453,390	3,430,683
Stung, Kampong Thom	929,113	550,644	3,769,411	2,264,248
Sampov Meas, Pursat	863,926	598,951	3,504,948	2,462,887
Phnom Penh	735,375	308,072	2,983,416	1,266,792
Steoung Sen, Kampong Thom	661,238	472,842	2,682,643	1,944,325
Kompong Cham	167,292	17,596	678,704	72,355
Head office	<u>15,083</u>	<u>-</u>	<u>61,192</u>	<u>-</u>
	5,950,760	3,671,125	24,142,235	15,095,666
Less: Provision for doubtful loans	<u>(94,096)</u>	<u>(93,343)</u>	<u>(381,747)</u>	<u>(383,826)</u>
	<u>5,856,664</u>	<u>3,577,782</u>	<u>23,760,486</u>	<u>14,711,840</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

7. LOANS AND ADVANCES TO CUSTOMERS (continued)

b) Analysis by performing and non-performing loans

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Standard loans				
-unsecured	5,916,004	3,624,894	24,001,230	14,905,564
Substandard loans				
-unsecured	6,326	19,132	25,665	78,671
Doubtful loans				
-unsecured	9,317	10,321	37,799	42,440
Losses				
-unsecured	19,113	16,778	77,541	68,991
	<u>5,950,760</u>	<u>3,671,125</u>	<u>24,142,235</u>	<u>15,095,666</u>

c) Analysis by industries

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Agriculture	768,105	1,110,849	3,116,204	4,567,811
Trade and commerce	2,945,549	1,434,212	11,950,092	5,897,481
Service	390,869	361,405	1,585,756	1,486,097
Transportation	569,287	209,234	2,309,597	860,370
Construction	353,230	57,065	1,433,054	234,651
Household/family	595,260	216,843	2,414,970	891,658
Other categories	328,460	281,517	1,332,562	1,157,598
	<u>5,950,760</u>	<u>3,671,125</u>	<u>24,142,235</u>	<u>15,095,666</u>

d) Analysis by relationship

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Non-related parties	5,931,523	3,653,529	24,064,190	15,023,311
Loans to management and staff	19,237	17,596	78,045	72,355
	<u>5,950,760</u>	<u>3,671,125</u>	<u>24,142,235</u>	<u>15,095,666</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

7. LOANS AND ADVANCES TO CUSTOMERS (continued)

e) Analysis by type of customers

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Individual	5,936,236	3,671,125	24,083,311	15,095,666
Group	<u>14,524</u>	<u>-</u>	<u>58,924</u>	<u>-</u>
	<u><u>5,950,760</u></u>	<u><u>3,671,125</u></u>	<u><u>24,142,235</u></u>	<u><u>15,095,666</u></u>

f) Analysis by currency

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
In US\$	5,318,592	3,328,282	21,577,527	13,685,896
In Thai Baht ("THB")	347,346	216,150	1,409,184	888,809
In Khmer Riel	<u>284,822</u>	<u>126,693</u>	<u>1,155,524</u>	<u>520,961</u>
	<u><u>5,950,760</u></u>	<u><u>3,671,125</u></u>	<u><u>24,142,235</u></u>	<u><u>15,095,666</u></u>

g) Analysis by maturity

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Maturity within one year	2,544,774	2,936,900	10,324,149	12,076,533
Over one year but within three years	3,405,986	734,225	13,818,086	3,019,133
Over three years but within five years	-	-	-	-
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>5,950,760</u></u>	<u><u>3,671,125</u></u>	<u><u>24,142,235</u></u>	<u><u>15,095,666</u></u>

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

7. LOANS AND ADVANCES TO CUSTOMERS (continued)

h) Provision for bad and doubtful loans

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Specific provision in accordance with Central Bank	22,541	21,788	91,448	89,592
General provision	71,555	71,555	290,299	294,234
	<u>94,096</u>	<u>93,343</u>	<u>381,747</u>	<u>383,826</u>

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

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Opening balance	93,343	134,675	378,692	553,784
Provision for the year	30,220	21,397	122,603	87,984
Provision written-off	(29,467)	(32,729)	(119,548)	(134,582)
Reverse of provision	-	(30,000)	-	(123,360)
Closing balance	<u>94,096</u>	<u>93,343</u>	<u>381,747</u>	<u>383,826</u>

The details of interest rates in the year 2006 and 2005 remain unchanged, as follows:

	Monthly interest rates			Loan Term
	US\$ Loan	THB Loan	Riel Loan	in Months
Agricultural loans				
Amount up to:				
- US\$500	4%	4%	4%	3 – 10
Other loans				
Amounts up to:				
- US\$250	3%	4%	4%	3 – 10
- US\$1,000	3%	4%	3.5%	3 – 10
- US\$2,500	2.5%	3.5%	-	3 – 18
Amount over:				
- US\$2,500	2%	3%	-	3 – 24

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

8. GRANTS RECEIVABLE

The details of grants receivable are as follows:

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Ministry of Economy and Finance - Agence Francaise de Development (AFD) – Technical assistance	<u>58,566</u>	<u>19,209</u>	<u>237,602</u>	<u>78,987</u>
	<u>58,566</u>	<u>19,209</u>	<u>237,602</u>	<u>78,987</u>

AFD's grant for technical assistance consists of:

1. Remuneration for a technical advisor for a period of three years until end of fiscal year 2006 to look after the Company's operation and strategy,
2. Staff capacity building, local and overseas training, and
3. Installation of management information systems

HATTHA KAKASEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

9. PROPERTY AND EQUIPMENT

	Motor vehicles US\$	Office equipment US\$	Communication equipment US\$	Furniture & fixture US\$	Total US\$
As at 1 January 2005					
Cost	89,831	58,942	19,298	22,165	190,236
Accumulative depreciation	(43,076)	(35,827)	(13,891)	(11,166)	(103,960)
Net book value	<u>46,755</u>	<u>23,115</u>	<u>5,407</u>	<u>10,999</u>	<u>86,276</u>
Equivalent to Riel'000 (<i>Unaudited</i>)	<u>188,282</u>	<u>93,084</u>	<u>21,774</u>	<u>44,293</u>	<u>347,433</u>
Year ended 31 December 2005					
Opening net book value	46,755	23,115	5,407	10,999	86,276
Additions	66,693	41,667	4,542	5,028	117,930
Disposals – net	(4,392)	(3,867)	(327)	(317)	(8,903)
Depreciation charge	(19,115)	(16,075)	(2,523)	(2,955)	(40,668)
Closing net book value	<u>89,941</u>	<u>44,840</u>	<u>7,099</u>	<u>12,755</u>	<u>154,635</u>
Equivalent to Riel'000 (<i>Unaudited</i>)	<u>369,837</u>	<u>184,382</u>	<u>29,191</u>	<u>52,449</u>	<u>635,859</u>
As at 31 December 2005					
Cost	148,977	96,336	23,423	27,168	295,904
Accumulative depreciation	(59,036)	(51,496)	(16,324)	(14,413)	(141,269)
Net book value	<u>89,941</u>	<u>44,840</u>	<u>7,099</u>	<u>12,755</u>	<u>154,635</u>
Equivalent to Riel' 000 (<i>Unaudited</i>)	<u>369,837</u>	<u>184,382</u>	<u>29,191</u>	<u>52,449</u>	<u>635,859</u>

9. PROPERTY AND EQUIPMENT (continued)

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Motor vehicles US\$	Office equipment US\$	Communication equipment US\$	Furniture & fixture US\$	Total US\$
Year ended 31 December 2006					
Opening net book value	89,941	44,840	7,099	12,755	154,635
Additions	119,640	40,191	2,195	6,351	168,377
Disposals – net	(1,280)	(8,173)	(571)	337	(9,687)
Depreciation charge	(30,859)	(20,387)	(3,973)	(6,638)	(61,857)
Closing net book value	<u>177,442</u>	<u>56,471</u>	<u>4,750</u>	<u>12,805</u>	<u>251,468</u>
Equivalent to Riel' 000 (<i>Unaudited</i>)	<u>719,882</u>	<u>229,103</u>	<u>19,271</u>	<u>51,950</u>	<u>1,020,206</u>
As at 31 December 2006					
Cost	266,157	121,940	24,668	33,405	446,170
Accumulative depreciation	(88,715)	(65,469)	(19,918)	(20,600)	(194,702)
Net book value	<u>177,442</u>	<u>56,471</u>	<u>4,750</u>	<u>12,805</u>	<u>251,468</u>
Equivalent to Riel' 000 (<i>Unaudited</i>)	<u>719,882</u>	<u>229,103</u>	<u>19,271</u>	<u>51,950</u>	<u>1,020,206</u>

HATTHA KAKASEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

10. INTANGIBLE ASSETS

	Computer software US\$
Year ended 31 December 2006	
Opening net book value	-
Additions	28,000
Depreciation charge	<u>(5,389)</u>
Closing net book value	<u>22,611</u>
Equivalent to Riel' 000 (<i>Unaudited</i>)	<u>91,733</u>
As at 31 December 2006	
Cost	28,000
Accumulative depreciation	<u>(5,389)</u>
Net book value	<u>22,611</u>
Equivalent to Riel' 000 (<i>Unaudited</i>)	<u>91,733</u>

The additions during the year represent the purchase of Micro Banker Licences.

11. BORROWINGS

		31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Rural Development Bank (ADB-funded)	<i>i</i>	500,000	800,000	2,028,500	3,289,600
CORDAID	<i>ii</i>	328,373	286,733	1,332,208	1,179,046
Alterfin	<i>iii</i>	650,000	450,000	2,637,050	1,850,400
Microfinance Alliance Fund ("MAF")	<i>iv</i>	127,152	250,000	515,856	1,028,000
Solidarité Internationale Développement et Investissement ("SIDI")	<i>v</i>	280,000	200,000	1,135,960	822,400
OIKOS	<i>vi</i>	130,000	130,000	527,410	534,560
Global Microfinance Facility ("GMF")	<i>vii</i>	750,000	-	3,042,750	-
Symbiotics	<i>viii</i>	750,000	-	3,042,750	-
Novib	<i>ix</i>	<u>378,300</u>	<u>-</u>	<u>1,534,763</u>	<u>-</u>
		<u>3,893,825</u>	<u>2,116,733</u>	<u>15,797,247</u>	<u>8,704,006</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

11. BORROWINGS (continued)

i) Rural Development Bank (“RDB”)

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$ 250,000	9.34688% per annum	-	This loan will be paid in full on 21 November 2007.
US\$ 250,000	9.34688% per annum	-	This loan will be paid in full on 21 November 2008.

This loan is unsecured.

ii) CORDAID

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$88,373	6% per annum	6% per annum	The principal and interest repayments will be in six semi-annual equal instalments, 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.
US\$240,000	6% per annum	6% per annum	The principal and interest repayments will be in six semi-annual equal instalments, 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.

This loan is unsecured.

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

11. BORROWING (continued)

iii) Alterfine

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$ 125,000	7.53% per annum for the first year 4.45%+12 months LIBOR for the second and third year	7.53% per annum for the first year 4.45%+12 months LIBOR for the second and third year	This Loan will be paid in full on 26 June 2007.
US\$ 125,000	7.53% per annum	-	This Loan will be paid in full on 26 December 2007.
US\$ 100,000	7.53% per annum	-	Repayment of principal and interest will be made in full on 26 June 2007.
US\$ 100,000	7.53% per annum	-	Repayment of principal and interest will be made in full on 26 December 2007.
US\$ 200,000	7.53% per annum	-	This loan will be made in full on 26 December 2009.

This loan is unsecured.

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

11. BORROWING (continued)

iv) Microfinance Alliance Fund (“MAF”)

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$ 65,157.78 equivalent to Thai Baht 2,477,146	11.63% per annum	11.63% per annum	The loan is given for a period of three years, with one year's grace period on repayment of principal. Repayment of principal and interest will be made in four semi-annual instalments starting from 7 March 2006 and amounting to Thai Baht 1,238,573.
US\$ 63,993.74 equivalent to Riel 251,283,834.00	11.63% per annum	11.63% per annum	The loan is given for a period of three years, with one year's grace period on repayment of principal. Repayment of principal and interest will be made in four semi-annual instalments starting from 1 June 2006 and amounting to Riel 125,641,917.

This loan is unsecured.

v) Solidarité Internationale Développement et Investissement (“SIDI”)

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$ 80,000	8% per annum	8% per annum	This loan will be paid in full on 31 December 2008.
US\$ 200,000	9% per annum	-	This loan will be paid in full on 14 June 2007.

This loan is unsecured.

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

12. BORROWING (continued)

vi) OIKOS

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$130,000	6% per annum	6% per annum	The loan is given for a period of five years, with five years' grace period on repayment of principal. Repayment of principal and interest will be paid in five equal annual instalments starting from 30 March 2011.

This loan is unsecured.

vii) Global Microfinance Facility (GMF)

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$ 750,000	11.04% per annum	-	This loan will be paid in full on 1 May 2009.

This loan is unsecured.

viii) Symbiotics

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
US\$ 125,000	11.63% per annum	-	The loan is given for a period of eighteen months; this amount will be paid in full on 26 November 2007.
US\$ 125,000	11.337% per annum	-	This amount will be paid in full on Maturity Date 26 May 2008.
US\$ 250,000	11.337% per annum	-	This amount will be paid in full on Maturity Date 17 June 2008.
US\$ 250,000	11.337% per annum	-	This amount will be paid in full on Maturity Date 17 December 2008.

This loan is unsecured.

11. BORROWING (continued)

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

ix) NOVIB

Credit limit in original currency	Effective interest rate		Repayment terms
	2006	2005	
EUR 300,000 equivalent to Thai Baht 14,026,080 or US\$ 378,300			
US\$ 126,100	12.21% per annum	-	This loan will be paid in full on 31 August 2008.
US\$ 126,100	12.21% per annum	-	This loan will be paid in full on 28 February 2009.
US\$ 126,100	12.21% per annum	-	This loan will be paid in full on 31 August 2009.

12. SUBORDINATED DEBTS

		31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Hattha Kaksekar, NGO	<i>a</i>	464,065	464,065	1,882,712	1,908,235
Ministry of Economy and Finance - Agence Francaise de Development (AFD)	<i>b</i>	<u>313,576</u>	<u>313,576</u>	<u>1,272,178</u>	<u>1,289,425</u>
		<u>777,641</u>	<u>777,641</u>	<u>3,154,890</u>	<u>3,197,660</u>

a) Hattha Kaksekar (HK) NGO has made the above loan to HKL, following the transfer and assignment of all micro-finance related assets, liabilities and operations of the NGO to the 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 debt 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 the Central Bank, and shall be included in computing HKL's capital adequacy ratio.

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

12. SUBORDINATED DEBTS (continued)

HKL shall pay to HK NGO the annual interest of 1% of the subordinated debts 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 of the shares of HKL, the proceeds will be added to the subordinated debt and transferred to HKL.

b) HKL also accepts liability for repaying the total value of the loan to the MoEF of the Royal Government of Cambodia ("RGC") under the terms and conditions of the subordinated loan agreement dated 27 December 2000, most notably, that the debt will not be repayable to the RGC 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. HKL shall pay to RGC, through the RDB, annual interest of 0.5%.

13. CUSTOMERS' DEPOSITS

The details of deposits of members are as follows:

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
<i>By location</i>				
Sampov Meas, Pursat	36,214	29,913	146,919	123,002
Siem Reap	43,086	28,325	174,800	116,472
Banteay Meanchey	55,495	43,105	225,144	177,248
Stung, Kampong Thom	23,158	15,344	93,952	63,095
Steoung Sen, Kampong Thom	34,386	26,094	139,504	107,299
Head office	45,183	23,661	183,307	97,293
Phnom Penh	17,935	3,881	72,762	15,959
Kompong Cham	1,717	-	6,966	-
	<u>257,174</u>	<u>170,323</u>	<u>1,043,354</u>	<u>700,368</u>
	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
<i>By currency</i>				
Compulsory savings				
In US\$	188,289	131,258	763,888	539,733
In Thai Baht	15,584	12,231	63,224	50,294
In Riel	4,087	1,298	16,580	5,337
Voluntary savings				
In US\$	15,685	25,536	63,635	105,004
In Riel	-	-	-	-
Term deposit				
In US\$	33,529	-	136,027	-
In Riel	-	-	-	-
	<u>257,174</u>	<u>170,323</u>	<u>1,043,354</u>	<u>700,368</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

13. CUSTOMERS' DEPOSITS (continued)

No interest is provided for compulsory deposits. Voluntary deposits bear interest at the following rates:

<u>US\$</u>	Interest rate per annum %	<u>Riel</u>	Interest rate per annum %
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

14. DEFERRED GRANT INCOME

Deferred grant income is as follows:

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Agence Francaise de Development	170,245	21,489	690,684	88,363
Save the Children US	-	42,620	-	175,253
Microfinance Alliance Fund	-	7,428	-	30,544
	<u>170,245</u>	<u>71,537</u>	<u>690,684</u>	<u>294,160</u>

15. ACCRUALS AND OTHER LIABILITIES

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
13th month bonus	-	30,729	-	126,358
Provident funds	51,729	38,942	209,865	160,130
Interest payable	41,739	54,139	169,335	222,620
Other liabilities	89,726	30,771	364,018	126,529
Income tax payable	137,510	67,417	557,878	277,219
	<u>320,704</u>	<u>221,998</u>	<u>1,301,096</u>	<u>912,856</u>

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

16. DEFERRED TAX LIABILITIES

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
As at 1 January	6,308	-	25,591	-
<i>Charges to the income statement</i>				
Property and equipment depreciation	8,837	4,252	35,852	17,485
Provision for employee benefits	(12,402)	2,056	(50,315)	8,453
As at 31 December	<u>2,743</u>	<u>6,308</u>	<u>11,128</u>	<u>25,938</u>

17. SHARE CAPITAL

	31 December 2006 US\$	31 December 2005 US\$
Authorised, issued and fully paid 8,595 (2005: 8,595) ordinary shares of Riel 117,000 (equivalent to US\$30) each	257,850	257,850

The details of the shareholders are as follows:

Shareholders	% of ownership	Number of shares
Hattha Kaksekar, NGO	49.85%	4,285
SIDI	19.95%	1,715
Cordaid	19.40%	1,667
Staff association	9.82%	844
Mr. Dy Davuth (BoD member)	0.98%	84
	<u>100%</u>	<u>8,595</u>

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

18. INTEREST INCOME

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Loans and advances to customers	1,539,138	962,057	6,244,283	3,955,978
Interest income on bank deposits	<u>3,493</u>	<u>1,300</u>	<u>14,171</u>	<u>5,346</u>
	<u>1,542,631</u>	<u>963,357</u>	<u>6,258,454</u>	<u>3,961,324</u>

19. INTEREST EXPENSE

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Borrowings	267,143	133,254	1,083,799	547,940
Customers' deposits	779	537	3,160	2,208
Others	<u>26,751</u>	<u>17,474</u>	<u>108,529</u>	<u>71,854</u>
	<u>294,673</u>	<u>151,265</u>	<u>1,195,488</u>	<u>622,002</u>

20. GRANT INCOME

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
AFD	102,032	59,973	413,944	246,609
Department of fishery	21,273	5,000	86,304	20,560
MAF	<u>-</u>	<u>5,572</u>	<u>-</u>	<u>22,912</u>
	<u>123,305</u>	<u>70,545</u>	<u>500,248</u>	<u>290,081</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

21. SALARIES AND STAFF BENEFITS

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Salaries and wages	345,929	269,964	1,403,434	1,110,092
Staff benefits	59,765	48,738	242,467	200,411
Training costs	10,997	3,161	44,615	12,998
BoD meeting allowance and others	<u>3,249</u>	<u>3,508</u>	<u>13,181</u>	<u>14,425</u>
	<u>419,940</u>	<u>325,371</u>	<u>1,703,697</u>	<u>1,337,926</u>

22. GENERAL AND ADMINISTRATIVE EXPENSE

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Rental	55,140	39,099	223,703	160,775
Consultant and professional fees	11,547	14,258	46,846	58,629
Office supplies	22,637	16,724	91,838	68,769
Fuel costs	33,468	20,463	135,781	84,144
Communication	24,322	17,595	98,674	72,351
Perdiem and allowance	15,275	10,711	61,971	44,044
Utilities	15,057	10,205	61,086	41,963
Promotion and advertising	13,436	8,572	54,510	35,248
Repairs and maintenance	5,529	4,458	22,431	18,331
Public relationship	6,766	3,189	27,450	13,113
Insurance	4,096	5,365	16,617	22,061
Security	8,130	6,131	32,983	25,211
Profit sharing	74,365	14,932	301,699	61,400
Others	<u>2,272</u>	<u>36,791</u>	<u>9,217</u>	<u>151,284</u>
	<u>292,040</u>	<u>208,493</u>	<u>1,184,806</u>	<u>857,323</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

23. GRANT RELATED EXPENSES

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Technical assistance	18,132	20,728	73,562	85,234
Training costs	38,040	25,706	154,328	105,703
Consulting fees	18,606	-	75,485	-
Professional fees	1,100	-	4,462	-
	<u>75,878</u>	<u>46,434</u>	<u>307,837</u>	<u>190,937</u>

24. TAXATION

(a) Income tax expense

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Current tax	120,736	57,810	489,826	237,715
Deferred tax	<u>(3,565)</u>	<u>6,308</u>	<u>(14,463)</u>	<u>25,938</u>
	<u>117,171</u>	<u>64,118</u>	<u>475,363</u>	<u>263,653</u>

The Company must pay Tax on Profit at 20% of taxable profit.

(b) Reconciliation between income tax expense and accounting profit

	2006 US\$	2005 US\$
Accounting profit before income tax	564,152	317,402
Non-deductible expenses for tax purposes	<u>21,703</u>	<u>3,189</u>
Taxable income	<u>585,855</u>	<u>320,591</u>
Income tax calculated at the rate of 20%	<u>117,171</u>	<u>64,118</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

24. TAXATION (continued)

Prepayment of tax on profit

The Company is subject to a Prepayment of Tax on Profit at the rate of 1% of turnover inclusive of all taxes, which is to be paid on a monthly basis by the 15th day of the succeeding month. The Prepayment of Tax on Profit can be offset against the annual Tax on Profit liability.

Where the Company has made Prepayment of Tax on Profit that is greater than the Tax on Profit liability, the excess can be carried forward to offset against future Prepayment of Tax on Profit and Tax on Profit liabilities.

(c) Other tax matters

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.

The Company was audited by the Tax Department of the Ministry of Economy and Finance for the financial audit year 2003. However, no Notice of Tax Reassessment was issued at the date of this report. Management anticipates no significant loss arisen from the tax audit.

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

25. CURRENCY ANALYSIS

An analysis of HKL's assets and liabilities in US\$ by currency is as follows:

	US\$	THB	Riel	Total
31 December 2006				
ASSETS				
Cash on hand	42,951	1,439	2,373	46,763
Balances with the Central Bank	14,425	-	-	14,425
Balances with banks	245,930	221	3,893	250,044
Loans and advances to customers	5,221,749	342,997	291,918	5,856,664
Grants receivable	58,566	-	-	58,566
Other receivables	24,263	-	91	24,354
Accrued interest income	87,244	2,309	6,241	95,794
Property and equipment	251,468	-	-	251,468
Intangible assets	22,611	-	-	22,611
	<u>5,969,207</u>	<u>346,966</u>	<u>304,516</u>	<u>6,620,689</u>
TOTAL ASSETS				
LIABILITIES				
Borrowings	3,388,373	439,604	65,848	3,893,825
Subordinated debts	777,641	-	-	777,641
Customers' deposits	237,448	15,562	4,164	257,174
Deferred grant income	170,245	-	-	170,245
Accruals and other liabilities	318,130	2,401	173	320,704
Deferred tax liabilities	2,743	-	-	2,743
	<u>4,894,580</u>	<u>457,567</u>	<u>70,185</u>	<u>5,422,332</u>
TOTAL LIABILITIES				
Net liquidity surplus/(gap)	<u>1,074,627</u>	<u>(110,601)</u>	<u>234,331</u>	<u>1,198,357</u>
31 December 2005				
Total Assets	3,724,515	262,562	128,837	4,115,914
Total Liabilities	<u>3,160,061</u>	<u>95,762</u>	<u>108,717</u>	<u>3,364,540</u>
Net liquidity surplus/(gap)	<u>564,454</u>	<u>166,800</u>	<u>20,120</u>	<u>751,374</u>

HATTHA KAKASEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

26. MATURITY PROFILE

The maturity profile of assets and liabilities is 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\$
31 December 2006							
ASSETS							
Cash on hand	46,763	46,763	-	-	-	-	-
Balances with the Central Bank	14,425	-	178	-	-	-	14,247
Balances with banks	250,044	250,044	-	-	-	-	-
Loans and advances to customers	5,856,664	2,049,832	1,464,166	1,171,333	1,171,333	-	-
Grants receivable	58,566	58,566	-	-	-	-	-
Other receivables	24,354	-	-	-	24,354	-	-
Accrued interest income	95,794	-	-	95,794	-	-	-
Property and equipment	251,468	-	-	-	169,025	82,443	-
Intangible assets	22,611	-	-	-	22,611	-	-
TOTAL ASSETS	6,620,689	2,405,205	1,464,344	1,267,127	1,387,323	82,443	14,247
LIABILITIES							
Borrowings	3,893,825	-	-	200,000	3,483,825	210,000	-
Subordinated debts	777,641	-	-	-	-	-	777,641
Customers' deposits	257,174	-	14,009	243,165	-	-	-
Deferred grant income	170,245	-	-	170,245	-	-	-
Accruals and other liabilities	320,704	-	19,174	301,530	-	-	-
Deferred tax liabilities	2,743	-	-	-	2,743	-	-
TOTAL LIABILITIES	5,422,332	-	33,183	914,940	3,486,568	210,000	777,641
Net liquidity surplus/(gap)	1,198,357	2,405,205	1,431,161	352,187	(2,099,245)	(127,557)	(763,394)
31 December 2005							
Total Assets	4,115,914	1,595,230	888,378	738,617	825,112	54,830	13,747
Total Liabilities	3,364,540	200,000	238,997	1,149,861	868,041	130,000	777,641
Net liquidity surplus/(gap)	751,374	1,395,230	649,381	(411,244)	(42,929)	(75,170)	(763,894)

HATTHA KAKSEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

27. 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, the management assumes that loans to customers are mainly held to maturity. Fair value approximates to the book value of loans adjusted for the provision for doubtful loans.

28. LEASE COMMITMENTS

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

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Not more than one year	68,245	36,789	276,868	151,276
More than one year and not more than five years	<u>141,105</u>	<u>20,220</u>	<u>572,465</u>	<u>83,145</u>
	<u><u>209,350</u></u>	<u><u>57,009</u></u>	<u><u>849,333</u></u>	<u><u>234,421</u></u>

29. RELATED PARTY TRANSACTIONS

a) Compensations

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
<i>Board of Directors</i>				
Fee and related expenses	<u>3,249</u>	<u>3,508</u>	<u>13,181</u>	<u>14,425</u>
<i>Key management</i>				
Salaries and short-term benefits	<u>75,357</u>	<u>52,723</u>	<u>305,722</u>	<u>216,797</u>

HATTHA KAKSEKAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

29. RELATED PARTY TRANSACTIONS (continued)

b) Loans to directors and key management of the Company

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Beginning of the year	17,250	-	69,983	-
Loans during the year	18,000	30,000	73,026	123,360
Loan repayments received	<u>(17,442)</u>	<u>(12,750)</u>	<u>(70,762)</u>	<u>(52,428)</u>
End of the year	<u>17,808</u>	<u>17,250</u>	<u>72,247</u>	<u>70,932</u>

Loans are provided to management and staff of the Company over a two year period with the interest rates ranging between 0.84% - 2% per month.

c) Deposits from directors and key management of the Company

	31 December 2006 US\$	31 December 2005 US\$	31 December 2006 Riel' 000 (Unaudited)	31 December 2005 Riel' 000 (Unaudited)
Beginning of the year	20,000	-	82,240	-
Deposits during the year	33,079	37,500	134,202	154,200
Withdrawals during the year	<u>(38,620)</u>	<u>(17,500)</u>	<u>(156,681)</u>	<u>(71,960)</u>
End of the year	<u>14,459</u>	<u>20,000</u>	<u>59,761</u>	<u>82,240</u>

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

Voluntary deposit	4%
Term deposit	
- 3 months	4%
- 6 months	6%
- 12 months	7%

d) Transactions with Hattha NGO:

Interest expense charged by Hattha NGO amounting to US\$4,641 for the year ended 31 December 2006 (2005: US\$4,641).

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

HATTHA KAKASEKAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

A Licensed Micro-finance Institution shall, at all times, maintain a Capital Adequacy Ratio of more than 20%. As at 31 December 2006, the Capital Adequacy Ratio of HKL was 29.83%.

The Capital Adequacy Ratio calculation is detailed in Schedule 1.

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

A Licensed Micro-finance Institution shall at all times, maintain a liquidity ratio of more than 100%. As at 31 December 2006, the Liquidity Ratio of HKL was 19,189%.

The Liquidity Ratio calculation is detailed in Schedule 2.

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

Foreign currency exposure ratio should not exceed 5% of the net worth for each currency and 15% of net worth aggregate. As at 31 December 2006, the Thai Baht currency exposure was (5.65%) and Khmer Riel was 11.98%. The aggregate foreign currency exposure ratio was 6.32%.

The foreign currency exposure ratio calculation is detailed in Schedule 3.

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

A Licensed Micro-finance Institution shall deposit 5% of their deposits into an account maintained with the Central Bank. As at 31 December 2006, the reserve requirement is Riel 9,983,000. HKL has deposits with the Central Bank amounting to Riel 5,465,000.

The Reserve Requirement calculation is detailed in Schedule 4.

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

Licensed microfinance 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

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

HATTHA KAKSEKAR LIMITED

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2006

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

Loan term more than one year

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

Specific provisions on the loans are classified as follows:

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

As at 31 December 2006, the specific provision provided by HKL is Riel 91,448,000 which was in compliance with the Central Bank's Prakas.

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

HATTHA KAKSEKAR LIMITED

SCHEDULE 1

CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2006

		Riel'000	
1 - NUMERATOR : ELIGIBLE CAPITAL			
1.1 CORE CAPITAL			
- Paid in capital		1,046,098	
- Reserves		90,694	
- Retained earning		1,911,535	
- Net profit for the year		<u>1,813,409</u>	
Subtotal A		<u>4,861,736</u>	
Less :			
- Unpaid capital		-	
- Loan to related parties		78,045	
- Intangible asset		<u>-</u>	
Subtotal B		78,045	
Core capital (A-B)		4,783,691	
1.2 HYBRID CAPITAL			
- Nun-refundable grants		-	
- Public guarantee funds		-	
- Perpetual subordinated debt		3,154,890	
Hybrid capital		3,154,890	
1.3 ELIGIBLE CAPITAL (Core capital + Hybrid capital) (E)		<u>7,938,581</u>	
2 - DENOMINATOR:RISK-WEIGHTED ASSET (R)			
Asset	Amount Riel'000	Weighting	
- Cash	189,717	0%	-
- Gold	-	0%	-
- Balances with the Central Bank	58,522	0%	-
- Balances with bank rated AAA to AA-	-	20%	-
- Balances with bank rated A+ to A-	-	50%	-
- Loan	23,760,486	100%	23,760,486
- Other assets	2,851,410	100%	2,851,410
Total	<u>26,860,135</u>		<u>26,611,896</u>
CAPITAL ADEQUACY RATIO (C=E/R)			<u>29.83%</u>

HATTHA KAKSEKAR LIMITED

**SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2006**

1 - Numerator: liquid asset			Riel'000
- Cash on hand			189,717
- Balances with the Central Bank			58,522
- Balances with banks			<u>1,014,429</u>
Sub-total A			1,262,668
Less :			
- Amount owed to Central Bank			-
- Amount owed to banks			-
Sub-total B			-
Net liquidity (A-B)			<u>1,262,668</u>
Plus :			
Portion of loans maturing in less than one month			<u>8,316,168</u>
Liquid assets (L)			<u>9,578,836</u>
2 - Denominator: Adjusted amount of deposits (A)			
Category of deposits	Amount	%	
Voluntary savings	199,662	25%	49,916
Total	199,662		49,916
LIQUIDITY RATIO (L/A)			<u>19,189%</u>

HATTHA KAKSEKAR LIMITED**SCHEDULE 3****CALCULATION OF FOREIGN CURRENCY EXPOSURE AS AT 31 DECEMBER 2006**

	THB Riel'000	Riel Riel'000	Total Riel'000
1- Assets in foreign currency	1,407,641	1,235,421	2,643,062
2- Minus: Liabilities in that currency	1,856,349	284,741	2,141,090
3- Net position	(448,708)	950,680	501,972
4- Minus: Provision for foreign exchange losses	-	-	-
5- Adjusted net position	(448,708)	950,680	501,972
6- Net worth	<u>7,938,581</u>	<u>7,938,581</u>	<u>7,938,581</u>
7- Foreign currency exposure ratio: 5/6	<u>(5.65%)</u>	<u>11.98%</u>	<u>6.32%</u>

HATTHA KAKSEKAR LIMITED

SCHEDULE 4 RESERVE REQUIREMENT AS AT 31 DECEMBER 2006

	Riel'000
1-Voluntary	
1-1 Demand	-
1-2 Saving	63,634
1-3 Term	136,028
1-4 Other	-
	<hr/>
1 - 5 Total Reservable Deposits	<u>199,662</u>
2 – Compulsory	
2-1 Program (guarantee, individual credit)	843,693
2-2 Program	-
2-3 Program	-
2-4 Total compulsory saving	-
3 - Total saving mobilized	1,043,355
5% Reservable Deposit	<u>9,983</u>

HATTHA KAKSEKAR LIMITED

**SCHEDULE 5
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2006**

Loan classification	Amount Riel'000	Rate %	Specific Provision Riel'000
1 - Loans of one year or less			
1-1 Standard	10,274,331	0%	-
1-2 Substandard past due >30 days	3,016	10%	302
1-3 Doubtful past due >60 days	6,009	30%	1,803
1-4 Loss past due >90 days	40,794	100%	40,794
Sub-Total 1	10,324,150		42,899
2 - Loans of more than one year			
2-1 Standard	13,726,900	0%	-
2-2 Substandard past due >30 days	22,647	10%	2,265
2-3 Doubtful past due >180 days	31,791	30%	9,537
2-4 Loss past due >360 days	36,747	100%	36,747
Sub-Total 2	13,818,085		48,549
Grand total 1+2	24,142,235		91,448
All loan past due > 30 days (A)			141,004
Loan outstanding (B)			24,142,235
Delinquency Ratio (A/B)			<u>0.58%</u>