

SAMIC-Limited

(formerly known as C-H-C Limited)

MICRO FINANCE INSTITUTION

(Incorporated in the Kingdom of Cambodia)

FINANCIAL STATEMENTS

AND

**REPORT OF INDEPENDENT AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

SAMIC-Limited
(formerly known as C-H-C Limited - Micro Finance Institution)
(Incorporated in the Kingdom of Cambodia)

CORPORATE INFORMATION

Company	:	SAMIC-Limited (formerly known as C-H-C Limited - Micro Finance Institution)	
Registration No.	:	Co-7857/05P	
Registered office	:	No. 276, Street 156, Sangkat Toek Laak II, Khan Tuol Kork, Phnom Penh, Kingdom of Cambodia	
Shareholders	:	CMI – International Holding CHC - NGO Dr. Sok Thim CARD - NGO Mr. King Kap Kalyan CHC Staff Training Association Dr. Chiv Bunthy Dr. Jaime Aristotle B. Alip	
Board of Directors	:	Dr. Sok Thim Md. Shafiqul Haque Choudhury Dr. Chiv Bunthy Dr. Jaime Aristotle B. Alip Mr. King Kap Kalyan	Chairman Member Member Member Member
Management team	:	Mr. King Kap Kalyan Ms. Yorn Phany Mr. Tha Thon Mr. Or Narin Mr. Poeu Da Mr. Kuy Sengmoeurn Mr. Kao Soreyrath	General Manager Finance and MIS Manager Operation Manager Human Resource and Admin Manager Internal Audit and Risk Manager Marketing and Product Development Manager ICT Manager
Auditors	:	MORISON KAK & ASSOCIES	

SAMIC- LIMITED
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THIS REPORT CONTAINS A SECTION FOR THE NATIONAL BANK OF CAMBODIA USE
WHICH DOES NOT FORM PART OF THE FINANCIAL STATEMENTS (PAGE I TO VII)

DIRECTORS' REPORT

The Directors hereby submit their report along with the audited financial statements of SAMIC-Limited (the "Company") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide micro-finance services to the economically active poor population of Cambodia through its branches located in Phnom Penh, Kandal, Kampot, Kep, Siem Reap, Sihanouk Ville and Kompong Speu provincial offices in the Kingdom of Cambodia.

RESULTS

The results of operations for the year ended 31 December 2010 are set out in the statement of income and retained earnings on page 9.

DIVIDENDS

During the financial year, the Company declared dividends of US\$253,485 made up by the prior years' profits after transfer to reserves and then, paid in cash of US\$157,705.

SHARE CAPITAL

During the years 2009/2010 the Company increased its registered share capital from US\$ 600,000 to US\$ 1,300,000. The approval of this increase was obtained from the National Bank of Cambodia on 3 June 2009. As at 31 December 2009 the Company's share capital was US\$ 1,185,726. Finally as at 31 December 2010 the registered share capital reached effectively US\$ 1,300,000.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial year.

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provisions made for bad and doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount carried as bad debts, or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any material amount.

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business and disclosed in the financial statements.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the directors, materially affected by any items, transaction or event of a material and unusual nature.

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

EVENTS SINCE THE BALANCE SHEET DATE

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

DIRECTORS

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

Dr. Sok Thim	Chairman
Md. Shafiqul Haque Choudhury	Member
Dr. Chiv Bunthy	Member
Dr. Jaime Aristotle B. Alip	Member
Mr. King Kap Kalyan	Member

All Members are non-executive board members, except Mr. King Kap Kalyan, who holds the position of General Manager.

DIRECTORS' INTERESTS

The Directors who held office at the end of the financial year and have a direct interest in the shares of the Company are as follows:

	-- Number of shares of USD 10 each --			
	Balance at 01-01-10	Bought	Sold	Balance at 31-12-10
Dr. Sok Thim	20,100	-	-	20,100
Dr. Chiv Bunthy	4,000	-	-	4,000
Dr. Jaime Aristotle B. Alip	2,000	-	-	2,000
Mr. King Kap Kalyan	6,500	-	-	6,500

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors) by reason of a contract made by the Company with the directors or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than as disclosed in the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible to ensure that the financial statements for each financial year are properly drawn up so as to give a true and fair view of the state of affairs of the Company and of its results of operations and cash flows for the year then ended. In preparing those financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with Cambodian Accounting Standards, guidelines issued by the National Bank of Cambodia and the disclosure requirements and the guidelines issued by the Ministry of Finance of the Kingdom of Cambodia or, if there has been any departures in the interests of true and fair presentation, 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 the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Signed in accordance with a resolution of the Board of Directors

Dr. Sok Thim
Chairman of the Board
Date: 22 March 2011

Mr. King Kap Kalyan
General Manager
Date: 22 March 2011

STATEMENT BY DIRECTORS

We, the directors of SAMIC-Limited (the “Company”) do hereby state that in our opinion:

- i) The results of the operations of the Company for the financial year ended 31 December 2010 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the financial year and the date of this report other than as disclosed in the financial statements, and
- ii) The accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of the results of its operations and cash flows for the year ended on that date, in accordance with the guidelines of the National Bank of Cambodia and Cambodian Accounting Standards.

Signed on behalf of the Board by:

Dr. Sok Thim
Chairman of the Board
Date: 22 March 2011

Mr. King Kap Kalyan
General Manager
Date: 22 March 2011

REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF SAMIC-LIMITED

We have audited the accompanying financial statements of SAMIC-Limited (the “Company”) which comprise the balance sheet as at 31 December 2010, and the related statements of income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia. 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.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian Standards on Auditing and International Standards on Auditing and the requirements of the National Bank of Cambodia (“NBC”). Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors’ 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 auditors consider internal control relevant to the Company’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 Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF SAMIC-LIMITED (continued)

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of the results of its operations and its cash flows for the year then ended, in accordance with the NBC's guidelines and Cambodian Accounting Standards.

The accompanying financial statements are prepared for jurisdiction of Cambodia and the guidelines issued by the National Bank of Cambodia. It is not intended to present the financial position and results to operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdiction other than Cambodia.

On behalf of Morison Kak & Associés

Key KAK

Managing Partner

Morison Kak & Associés

Certified Public Accountants

Registered Auditors

Date: 22 March 2011

SAMIC- LIMITED, 31 DECEMBER 2010
(formerly known as C-H-C Limited - Micro Finance Institution)

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	2010		2009
		USD	KHR'000	USD
				(Restated)
ASSETS				
Cash on hand	4	8,409	34,082	50,975
Deposits and placements with banks	5	185,073	750,101	221,122
Statutory deposits with central bank	6	65,000	263,445	65,000
Loans and advances to customers	7	5,898,305	23,905,830	5,539,811
Other receivables	8	38,258	155,060	38,546
Investment in registered stock share	9	9,220	37,369	2,177
Advances for purchase of property and equipment		165,935	672,535	140,563
Property and equipment	10	74,202	300,739	90,332
TOTAL ASSETS		6,444,402	26,119,161	6,148,526
LIABILITIES AND SHAREHOLDER'S EQUITY				
LIABILITIES				
Deposits from customers		25	101	617
Provision for income tax	11	38,846	157,443	58,457
Revolving funds	12	350,000	1,418,550	-
Provision for pension fund	13	59,082	239,459	39,855
Borrowings	14	4,020,867	16,296,574	4,259,299
Other liabilities	15	389,449	1,578,437	192,937
Total liabilities		4,858,269	19,690,564	4,551,165
SHAREHOLDERS' EQUITY				
Share capital	16	1,300,000	5,268,900	1,185,726
Reserves	17	128,127	519,299	100,243
Retained earnings		158,006	640,398	253,485
Subordinated debt	18	-	-	57,907
Total shareholders' equity		1,586,133	6,428,597	1,597,361
LIABILITIES AND SHAREHOLDER'S EQUITY		6,444,402	26,119,161	6,148,526

Signed and authorised for release on behalf of the Board

Dr. Sok Thim
Chairman of the Board
Date: 22 March 2011

Mr. King Kap Kalyan
General Manager
Date: 22 March 2011

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

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010		2009
		USD	KHR'000	USD (Restated)
Interest income	19	1,691,960	6,857,514	1,642,013
Interest expenses	20	(498,787)	(2,021,584)	(451,628)
Net interest income		1,193,173	4,835,930	1,190,385
Non-interest income	21	61,524	249,357	25,826
Payroll and other staff costs		(491,919)	(1,993,748)	(424,921)
Depreciation expenses		(26,175)	(106,087)	(35,344)
Other operating expenses	22	(378,320)	(1,533,330)	(303,623)
Operating profit before provision for impairment		358,283	1,452,122	452,323
Provision for impairment on loan losses		(115,886)	(469,686)	(150,397)
Profit before income tax		242,397	982,436	301,926
Income tax expense		(56,507)	(229,023)	(59,569)
Net profit for the year		185,890	753,413	242,357

Signed and authorised for release on behalf of the Board

Dr. Sok Thim
Chairman of the Board
Date: 22 March 2011

Mr. King Kap Kalyan
General Manager
Date: 22 March 2011

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

SAMIC- LIMITED, 31 DECEMBER 2010
(formerly known as C-H-C Limited - Micro Finance Institution)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital USD	Statutory Reserve USD	General Reserve USD	Retained earnings USD	Subordinated debt USD	Total USD
Balance as at 1 January 2009	600,000	21,297	42,592	247,597	57,907	969,393
Proceeds from issuance of shares	214,498	-	-	-	-	214,498
Conversion of loans and amounts due to shareholders to share capital	215,081	-	-	-	-	215,081
Conversion of dividend to share capital	156,147	-	-	(156,147)	-	-
Dividend distribution	-	-	-	(43,968)	-	(43,968)
Transfer to reserves	-	12,118	24,236	(36,354)	-	-
Net profit for the year	-	-	-	242,357	-	242,357
Balance as at 31 December 2009	1,185,726	33,415	66,828	253,485	57,907	1,597,361
Balance as at 1 January 2010	1,185,726	33,415	66,828	253,485	57,907	1,597,361
Proceeds from issuance of shares	55,747	-	-	-	-	55,747
Conversion of loans and amounts due to shareholders to share capital	58,527	-	-	-	(57,907)	620
Conversion of dividend to share capital	-	-	-	-	-	-
Dividend payable	-	-	-	(253,485)	-	(253,485)
Transfer to reserves	-	9,295	18,589	(27,884)	-	-
Net profit for the year	-	-	-	185,890	-	185,890
Balance as at 31 December 2010	1,300,000	42,710	85,417	158,006	-	1,586,133
<i>Balance as at 31 December 2010 (KHR'000 equivalents)</i>	<i>5,268,900</i>	<i>173,104</i>	<i>346,195</i>	<i>640,398</i>	<i>-</i>	<i>6,428,597</i>

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010		2009
	USD	KHR'000	USD
			(Restated)
Cash flows from operating activities			
Profit before income tax	242,397	982,436	301,926
<i>Adjustments for:</i>			
Depreciation of property and equipment	26,175	106,087	35,344
Loss on disposals of property and equipment	601	2,436	(300)
Net impairment loss on loans and advances	95,631	387,592	150,397
Provision for pension fund	19,227	77,927	18,180
Operating profit before working capital changes	384,031	1,556,478	505,547
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Statutory deposits with central bank	-	-	(35,000)
Loans and advances	(454,125)	(1,840,569)	(857,928)
Other receivables	288	1,167	918
Deposits from customers	(592)	(2,399)	(2,330)
Revolving funds	350,000	1,418,550	(40,000)
Other liabilities	101,352	410,779	51,469
Cash from / (used in) operating activities	380,954	1,544,006	(377,324)
Income tax paid	(76,118)	(308,506)	(68,969)
Net cash from / (used in) operating activities	304,836	1,235,500	(446,293)
Cash flows from investing activities			
Purchases of property and equipments	(10,646)	(43,149)	(52,022)
Advance for purchase of property and equipment	(25,372)	(102,832)	(66,798)
Proceeds from sales of property and equipment	-	-	1,028
Investment in registered stock share	(7,043)	(28,545)	-
Net cash used in investing activities	(43,061)	(174,526)	(117,772)
Cash flows from financing activities			
Proceeds from borrowings	1,479,688	5,997,175	1,577,329
Repayment on borrowings	(1,718,120)	(6,963,540)	(1,013,454)
Proceed from issuing shares and paid	55,747	225,943	214,498
Dividends paid during the year	(157,705)	(639,178)	(43,968)
Net cash generated from financing activities	(340,390)	(1,379,600)	734,405

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010
 (continued)

	2010		2009
	USD	KHR'000	USD
Net changes in cash and cash equivalents	(78,615)	(318,626)	170,340
Cash and cash equivalents, beginning of year	<u>272,097</u>	<u>1,102,809</u>	<u>101,757</u>
Cash and cash equivalents, end of year	<u>193,482</u>	<u>784,183</u>	<u>272,097</u>
<i>Represented by:</i>			
Cash on hand	8,409	34,082	50,975
Deposits and placements with banks	<u>185,073</u>	<u>750,101</u>	<u>221,122</u>
	<u>193,482</u>	<u>784,183</u>	<u>272,097</u>

Significant non-cash transactions

During the year, there were following significant non-cash transactions:

Conversion of loans and amounts due to shareholders to share capital	58,527	237,210	215,081
Conversion of dividend to share capital	-	-	156,147

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. General

SAMIC-Limited (formerly known as C-H-C Limited - Micro Finance Institution) (“the Company”), a licensed micro-finance institution, was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under register number Co. 7857/05P dated 5 July 2005.

The National Bank of Cambodia granted the Company a license to conduct business as a micro-finance institution for a three year period commencing from 14 September 2005. The Company obtained the indefinite license on 18 September 2008.

The Company changed its name from C-H-C Limited (Micro Finance Institution) to SAMIC-Limited on 03 December 2009 as approved by the Ministry of Commerce.

The Company provides micro-finance services to the economically active poor population of Cambodia through its branches with offices located in Phnom Penh and Kandal, Kampot, Kep, Sihanouk Ville, Siem Reap and Kompong Speu provinces.

As at 31 December 2010, the Company had 141 employees (31 December 2009: 131 employees).

2. Basis of preparation

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the NBC, Cambodian Accounting Standards and practice within the micro-finance industry. Those principles require that financial instruments be carried at cost less provision for impairment. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The presentation of financial statements in conformity with Cambodian Accounting Standards as modified by NBC guidelines requires Management to make the best estimates and assumptions that affect the amount reported in financial statements and accompanying notes. The estimates have been made based on existing available information and Management’s judgment. Due to the fact that an active market does not exist for a significant portion of the Company’s assets and liabilities, it is possible that actual results could differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practice in other countries and those who are not informed about Cambodia’s procedures and practices.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

2. Basis of preparation (continued)

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts essentially in US Dollar (“USD”) and maintains its books of accounts primarily in USD, the Management has determined the USD to be the Company’s measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 4,053 KHR (31 December 2009: KHR 4,169). The purposes of such conversions are to comply with NBC’s financial statements presentation guidelines only and should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into USD at this or any other rate of exchange.

3. Significant accounting policies

(a) Transactions in foreign currencies

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported on a net basis in the statement of income.

(b) Financial instruments

(b.1) Financial assets

The Company classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss; (ii) loans and receivables; (iii) held-to-maturity investments; and (iv) available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss:

This category includes financial assets held for trading.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading.

As at 31 December 2010 and as at 31 December 2009 as well, the Company did not purchase any financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

(b.1) Financial assets (continued)

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and advances are recognised at cost less allowances for impairment losses.

(iii) Held-to-maturity financial assets:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

As at 31 December 2010 and as at 31 December 2009 as well, the Company did not purchase any held-to-maturity financial assets.

(iv) Financial assets available for sale:

Available-for-sale financial assets comprise equity and debt securities. These instruments are initially recognised at cost and are subsequently stated at fair value if assets are traded on an active market.

As at 31 December 2010 and as at 31 December 2009 as well, the Company did not purchase any financial assets available for sale.

(b.2) Financial liabilities

The Company classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); (ii) financial liabilities at cost.

(i) Financial liabilities at fair value through profit or loss:

This category comprises financial liabilities classified as held for trading and financial liabilities designated as fair value through profit or loss upon initial recognition.

As at 31 December 2010 and as at 31 December 2009 as well, the Company did not have any financial liabilities at fair value through profit or loss.

(ii) Financial liabilities at cost:

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at cost. Financial liabilities measured at cost are deposits from banks or customers, convertible bonds, borrowing and subordinated debts.

As at 31 December 2010 and as at 31 December 2009 as well, the Company did not have any financial liabilities at cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

(b.3) Derivative financial instruments and hedge accounting

Derivatives are financial instruments: (i) whose value is changed in response to the change in specified interest rate, financial instrument price, foreign exchange rate, index of prices and rates, credit rates or credit index or other variable; (ii) that requires no initial net investment or an initial net investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; (iii) that is settled at a future date.

As at 31 December 2010 and as at 31 December 2009 as well, the Company did not purchase any derivative financial instruments and did not have hedging transactions.

(b.4) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risk and rewards or ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

(c) Segment information

The Company operates within one business segment which is micro finance operation, and within one geographical segment, the Kingdom of Cambodia

(d) Basis of aggregation

The financial statements comprise the financial statements of the head office and the 13 branches and sub-branches in Phnom Penh, Kandal, Kampot, Kep, Sihanouk Ville, Siem Reap, and Kampong Speu.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and short-term funds which is convertible in cash within one month.

(f) Statutory deposits with central bank

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions ("LBFI") and are not available to finance the Company's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Loans and advances to customers

Loans originated by the Company by providing money directly to the borrowers at draw down are categorised as loans and advances and are carried at cost, add up interest receivable and less any written off amounts and specific and general provisions. Interest in suspense represents interest accrued on loan receivables that are doubtful or bad.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

(h) Allowances for loan impairment

Allowances for loan impairment are based on the latest NBC guidelines and are made with regard to specific risks on loans individually reviewed and classified as normal, substandard, doubtful and loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and minimum level of allowances:

Classification	Overdue	Rate of provision
Substandard	- More than thirty days	10%
Doubtful	- 60 days and more (original term of up to one year) - 180 days or more (original term of more than one year)	30%
Loss	- 90 days and more (original term of up to one year) - 360 days or more (original term of more than one year)	100%

The specific provision allowance is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrual interest and is charged as expense.

In addition to the specific provision, an additional general provision for bad and doubtful loans is made at the rate of 1% of all outstanding performing loans.

Loans are written off to the income statement when the loans remain unpaid one year after maturity date. Loans written off are taken out of the outstanding loan portfolio and deducted from the provision for bad and doubtful loans.

Recoveries on loans previously written off are disclosed as other operating income in the income statement.

(i) Other receivables

Other receivables are carried at estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

(j) Recognition of interest income

Interest earned from deposits and placements with bank are recognised on an accrual basis.

Interest earned on loans and advances to customers are recognised on an accrual basis. Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customer's loan accounts are classified as non-performing where repayments are in arrears for thirty days and more.

(k) Recognition of fees and other income

Loan fee income is recognised as income when the loan is disbursed to customers. The loan fee income is calculated using the principal and fee rate.

Service charges and processing fees are recognised when received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

(l) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred. Land is not depreciated.

Depreciation is calculated over the estimated useful lives of the assets at the following rates per annum:

Category	Method	Percentage
Furniture and fittings	Declining	25%
Office equipment & computers	Declining	50%
Motor vehicles	Declining	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statement of income.

(m) Deposits from customers

Deposits from customers are stated at placement value.

(n) Borrowings

Borrowings are stated at cost.

(o) Other provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

(p) Provision for pension fund

Provision for Company employees' pension fund is calculated on a pro-rata basis at the rate of one month's salary for every year worked. These obligations will be paid if the employee resigned; they are entitled to benefit based on the length of service (having worked for the Company for 5 years or more) on regular employment and the related percentage of computed benefits.

(q) Income tax

Income tax expense on the profit or loss for the financial year comprises current and deferred tax. Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial results for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

(q.1) Current income tax

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

(q.2) Deferred income tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rate enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Operating leases

Payments made under operating leases are charged against income in equal instalments over the period of the lease.

(s) Related parties

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

Under the LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

(t) New standards and interpretations not yet adopted

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) effective for financial statements with periods beginning on or after 1 January 2012. The new Standards will be referred to as “Cambodian International Financial Reporting Standards” (CIFRS). The adoption of CIFRS is expected to have a significant impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

4. Cash on hand

	2010		2009
	USD	KHR'000	USD
Head Office	1,031	4,179	2,953
Branches			
Angkor Chey	2,050	8,309	6,492
Ang Snoul	183	742	2,441
Dong Kor	135	547	-
Kampong Bay	154	624	140
Kampong Speu	830	3,364	2,377
Kampong Trach	408	1,654	4,471
Kampot	610	2,472	5,967
Kaep	965	3,911	6,882
Mean Chey	200	811	1,617
Phnom Penh	202	819	7,472
Prey Nob	579	2,347	1,482
Sa Ang	291	1,179	1,323
Siem Reap	566	2,294	5,121
Sihanouk Ville	205	830	2,237
	8,409	34,082	50,975

The above amounts are classified by currency as follows:

	2010		2009
	USD	KHR'000	USD
By currency:			
US Dollars	3,640	14,753	32,568
Khmer Riels	4,769	19,329	18,407
	8,409	34,082	50,975

5. Deposits and placements with banks

	2010		2009
	USD	KHR'000	USD
Aceda bank Plc.	182,629	740,196	217,871
Advanced bank of Asia limited	197	798	190
ANZ Royal bank	254	1,029	14
National bank of Cambodia	918	3,721	840
Rural Development Bank	196	794	566
Canadia Bank Plc.	879	3,563	10
Foreign Trade Bank	-	-	1,631
	185,073	750,101	221,122

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

5. Deposits and placements with banks (continued)

	2010		2009
	USD	KHR'000	USD
(a) By currency:			
US Dollars	99,908	404,927	163,049
Khmer Riels	85,165	345,174	58,073
	<u>185,073</u>	<u>750,101</u>	<u>221,122</u>
		2010	2009
		% p.a	% p.a
(b) The above deposits earn interest at the following rates per annum:			
Saving deposits		0.28%-0.75%	0.28%-0.75%

6. Statutory deposits with central bank

Statutory deposit on capital represent a five percent interest-bearing statutory deposit on capital to comply with NBC's *Prakas* No.B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-06-209 dated 13 September 2006. The deposit is refundable when the Company voluntarily liquidates its activities and has no deposits liabilities.

This statutory deposit is interest bearing at ½ of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

7. Loans and advances to customers

	2010		2009
	USD	KHR'000	USD (Restated)
Loans to customers			
Group loans	916,813	3,715,843	1,149,564
Individual loans	5,139,647	20,830,989	4,401,532
	<u>6,056,460</u>	<u>24,546,832</u>	<u>5,551,096</u>
Interest receivables	189,325	767,334	142,612
Interest in suspense (*)	(97,952)	(396,999)	-
	<u>6,147,833</u>	<u>24,917,167</u>	<u>6,693,708</u>
Provisions for impairment losses-Specific (**)	(191,441)	(775,910)	(101,102)
Provisions for impairment losses-General (**)	(58,087)	(235,427)	(52,795)
	<u>(249,528)</u>	<u>(1,011,337)</u>	<u>(153,897)</u>
	<u>5,898,305</u>	<u>23,905,830</u>	<u>5,539,811</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

7. Loans and advances to customers (continued)

(*) Movements in interest in suspense were as follows:

	2010		2009
	USD	KHR'000	USD
Balance at 1 January	-	-	-
Addition during the year	97,952	396,999	-
Recovery during the year	-	-	-
Write off during the year	-	-	-
At end of year	<u>97,952</u>	<u>396,999</u>	-

(**) Movements in impairment losses were as follows:

	2010		2009
	USD	KHR'000	USD
Balance at 1 January	153,897	623,745	3,500
Addition during the year	115,886	469,686	150,397
Recovery during the year	<u>(20,255)</u>	<u>(82,094)</u>	-
At end of year	<u>249,528</u>	<u>1,011,337</u>	<u>153,897</u>

(i) Further classification is as follows:

	2010		2009
	USD	KHR'000	USD
Standard loans:			
Secured	5,808,697	23,542,649	5,279,370
Unsecured	-	-	-
Sub-standard loans:			
Secured	33,421	135,455	114,874
Unsecured	-	-	-
Doubtful loans:			
Secured	37,490	151,947	94,205
Unsecured	-	-	-
Loss loans:			
Secured	176,852	716,781	62,647
Unsecured	-	-	-
	<u>6,056,460</u>	<u>24,546,832</u>	<u>5,551,096</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

7. Loans and advances to customers (continued)

(ii) Further analysis of the above loans and advances is provided below:

	2010		2009
	USD	KHR'000	USD
(a) By maturity period:			
Within one month	230,470	934,094	91,665
From one month to three months	258,373	1,047,186	175,647
From four month to six months	439,371	1,780,771	508,401
From seven months to one year	2,005,072	8,126,557	1,999,828
From one year to three years	3,123,174	12,658,224	2,775,555
	6,056,460	24,546,832	5,551,096
(b) By security:			
Secured	6,056,460	24,546,832	5,551,096
Unsecured	-	-	-
	6,056,460	24,546,832	5,551,096
(c) By currency denomination:			
US Dollar	4,473,254	18,130,098	3,862,727
Khmer Riel	1,583,206	6,416,734	1,688,369
	6,056,460	24,546,832	5,551,096
(d) By status of residence:			
Residents	6,056,460	24,546,832	5,551,096
(e) By relationship:			
Non-related parties	6,056,460	24,546,832	5,548,383
Staff loans	-	-	2,713
	6,056,460	24,546,832	5,551,096
(f) By economic sectors:			
Agriculture	1,767,429	7,163,390	1,250,132
Construction	185,762	752,893	78,945
Household/Family	315,901	1,280,346	386,793
Transportation	507,474	2,056,792	242,481
Services	602,962	2,443,805	387,071
Trade and Commerce	2,230,593	9,040,594	2,112,352
Other categories	446,339	1,809,012	1,093,322
	6,056,460	24,546,832	5,551,096

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

7. Loans and advances to customers (continued)

	2010		2009
	USD	KHR'000	USD
(g) By locations:			
Angkor Chey	316,202	1,281,567	190,426
Ang Snoul	458,454	1,858,114	424,886
Kep	394,480	1,598,827	394,619
Kampong Trach	931,373	3,774,855	895,694
Kampot	622,097	2,521,359	732,157
Kampong Speu	199,238	807,512	85,942
Mean Chey	252,976	1,025,312	127,544
Phnom Penh	301,269	1,221,043	768,483
Prey Nob	663,490	2,689,125	572,573
Sa Ang	200,772	813,729	78,688
Siem Reap	555,974	2,253,363	460,278
Dangkor	377,296	1,529,181	-
Sihanouk Ville	782,839	3,172,845	819,806
	<u>6,056,460</u>	<u>24,546,832</u>	<u>5,551,096</u>
(h) By large exposures:			
Non large exposures	<u>6,056,460</u>	<u>24,546,832</u>	<u>5,551,096</u>
(i) By interest rate (per annum)		2010	2009
Loans in US Dollars		32.40% - 38.40%	39%
Loans in Khmer Riel		32.40% - 38.40%	39%

8. Other receivables

	2010		2009
	USD	KHR'000	USD (Restated)
Other account receivables	18,990	76,966	22,593
Deposits	15,368	62,287	14,591
Prepayments	624	2,529	622
Advances to staff	3,276	13,278	740
	<u>38,258</u>	<u>155,060</u>	<u>38,546</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

9. Investment in registered stock share

In accordance with the loan agreement with Cosorzio Etimos S.C., the Company is required to subscribe Consozio Etimos S.C. shares at the fixed amount of EURO 6,708 (equivalent to US\$ 9,220) for twenty six shares of EURO 258 each. The subscribed amount will be recoverable and paid back to the Company following the loan maturity date or when the Company will fully pay off the loan (Note 14 (i))

10. Property and equipment

	Land	Furniture & fittings	Office equipment & computers	Motor vehicles	Total
Cost	USD	USD	USD	USD	USD
At 1 January 2010	10,450	38,111	54,642	78,209	181,412
Additions	-	3,093	6,503	1,050	10,646
Disposals	-	(1,297)	(5,480)	(1,235)	(8,012)
At 31 December 2010	10,450	39,907	55,665	78,024	184,046
Accumulated depreciation					
At 1 January 2010	-	19,618	41,122	30,340	91,080
Charge for the period	-	5,369	8,564	12,242	26,175
Disposals	-	(1,047)	(5,156)	(1,208)	(7,411)
At 31 December 2010	-	23,940	44,530	41,374	109,844
Net book value					
At 31 December 2010	10,450	15,967	11,135	36,650	74,202
At 31 December 2009	10,450	18,493	13,520	47,869	90,332
Charge for the year 2009	-	6,230	13,075	16,039	35,344

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

10. Property and equipment (continued)

Equivalent in KHR	Land	Furniture	Office	Motor	Total
	KHR'000	and fittings KHR'000	equipment & computers KHR'000	vehicles KHR'000	KHR'000
Cost					
At 1 January 2010	42,354	154,464	221,464	316,980	735,262
Additions	-	12,536	26,357	4,256	43,149
Disposals	-	(5,257)	(22,210)	(5,005)	(32,472)
At 31 December 2010	42,354	161,743	225,611	316,231	745,939
Accumulated depreciation					
At 1 January 2010	-	79,512	166,667	122,969	369,148
Charge for the period	-	21,761	34,710	49,617	106,088
Disposals	-	(4,243)	(20,897)	(4,896)	(30,036)
At 31 December 2010	-	97,030	180,480	167,690	445,200
Net book value					
At 31 December 2010	42,354	64,713	45,131	148,541	300,739
At 31 December 2009	42,354	74,952	54,797	194,011	366,114
Charge for the year 2009	-	25,250	52,993	65,006	143,249

During the year under review, the Company has received grant from Saving Bank Foundation for International Cooperation for purchasing fixed assets amounting to US\$ 6,719 (2009: US\$ 34,842). However, those assets are not recorded as the Company's asset. Actually, according to management representation, the Company enjoys only the right of use but is not entitled to own those assets. The Company will record them in its accounting record when ownership of those fixed assets will be transferred to the Company.

11. Provision for income tax

	2010		2009
	USD	KHR'000	USD
Balance at beginning of year	58,457	236,926	67,857
Charge during the year	56,507	229,023	59,569
Taxation paid during the year	(76,118)	(308,506)	(68,969)
Balance at end of year	38,846	157,443	58,457

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

12. Revolving funds

	2010		2009
	USD	KHR'000	USD
Acleda bank	150,000	607,950	-
Advanced Bank of Asia	200,000	810,600	-
	<u>350,000</u>	<u>1,418,550</u>	<u>-</u>

i. Acleda bank

Terms	First loan	12 month from 21 Jan 2010 to 20 Jan 2011
	Second loan	12 month from 06 July 2010 to 05 July 2011
Total credit	First loan	USD 150,000.00
	Second loan	USD 300,000.00
Repayment	First loan	Principle due on the maturity date and interest paid at end of the month.
	Second loan	Principle due on the maturity date and interest paid at end of the month.
Interest rate	First loan	Interest is 12 % per annum.
	Second loan	Interest is 12 % per annum.
Security	First loan	This loan is unsecured.
	Second loan	This loan is unsecured.

ii. Advance Bank of Asia

Terms	12 moths, from 28 July 2010 to 27 July 2011
Total credit	USD 300,000.00
Repayment	Principle due on the maturity date and interest paid in the half of the next each month.
Interest rate	Interest rate is 12% per annum.
Security	This loan in unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

13. Provision for pension fund

	2010		2009
	USD	KHR'000	USD
Balance at beginning of year	39,855	161,532	21,675
Charge during the year	28,040	113,646	23,866
Reversal during the year	(8,813)	(35,719)	(5,686)
Payment during the year	-	-	-
Balance at end of year	59,082	239,459	39,855

14. Borrowings

	2010		2009
	USD	KHR'000	USD
Consorzio Etimos S.C.	531,723	2,155,073	92,944
Credit Suisse Microfinance Fund Management Company (Planis)	700,000	2,837,100	500,000
Development World Markets Microfinance Fund	1,000,000	4,053,000	750,000
Rural Development Bank	100,000	405,300	-
Oikocredit	608,586	2,466,599	895,315
Norwegian Investment Fund for Development Countries	214,284	868,493	357,142
Micro Credit Enterprises	150,000	607,950	600,000
Blue Orchard	300,000	1,215,900	800,000
Music Security Inc.	416,274	1,687,159	263,898
	4,020,867	16,296,574	4,259,299

The borrowing funds are analysed as follows:

(a) By maturity period:	2010		2009
	USD	KHR'000	USD
From one to three months	706,767	2,864,527	-
Over four months to twelve months	450,000	1,823,850	1,250,000
Over one year to five years	2,864,100	11,608,197	3,009,299
	4,020,867	16,296,574	4,259,299

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

14. Borrowings (continued)

	2010		2009
	USD	KHR'000	USD
(b) By currency:			
US Dollars	3,112,675	12,615,671	3,333,420
Khmer Riels	491,918	1,993,744	661,981
Japanese Yens	416,274	1,687,159	263,898
	4,020,867	16,296,574	4,259,299
(c) By interest rate (per annum):		2010	2009
US Dollars		7.50% - 12.00%	6.00% - 14.40%
Khmer Riels		11.00% - 13.02%	13.50% - 14.84%
Japanese Yens		7.50%	7.50%

i. Consorzio Etimos S.C.

Terms	First loan	37 months, from 15 July 2006 to 15 July 2009
	Second loan	37 months, from 5 March 2008 to 1 April 2011.
	Third loan	36 months, from 01 Oct 2010 to 01 Oct 2013.
Total credit facilities	First loan	USD 150,000.00
	Second loan	USD 150,000.00
	Third loan	USD 500,000.00
Repayment	First loan	Principle and interest will be repaid in 6 installments.
	Second loan	Principle and interest will be repaid in 6 installments.
	Third loan	Principle and interest will be repaid in 6 installments.
Interest rate	First loan	LIBOR 6 months+ 4.5% per annum.
	Second loan	LIBOR 6 months+ 4.5% per annum.
	Third loan	LIBOR 6 months+ 5.5% per annum (Floor rate 8%)
Security		The Company subscribed three shares of Consorzio Etimos S.C at the fixed amount of EURO 774 (equivalent to USD 985) as described in Note 9 above.
	First loan	The Company subscribed three shares of Consorzio Etimos S.C at the fixed amount of EURO 774 (equivalent to USD 1,192) as described in Note 9 above.
	Second loan	The Company subscribed twenty shares of Consorzio Etimos S.C at the fixed amount of EURO 5,160 (equivalent to USD 7,042.00) as described in Note 9 above.
	Third loan	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

14. Borrowings (continued)

ii. Credit Suisse Microfinance Fund Management Company (Planis)

Terms	First loan	24 months, from 6 March 2009 to 6 March 2011.
	Second loan	24 months, from 3 March 2010 to 3 March 2012.
Total credit	First loan	USD 500,000.00
	Second loan	USD 200,000.00
Repayment	First loan	Principal is due on the maturity date and interest is paid on 6 March and 6 September each year.
	Second loan	Principal is due on the maturity date and interest is paid on 3 March and 3 September each year.
Interest rate	First loan	Interest rate is 10.75% per annum.
	Second loan	Interest rate is 11.05% per annum.
Security	First loan	This loan is unsecured.
	Second loan	This loan is unsecured.

iii. Development World Markets Microfinance Fund

Terms	First loan	24 months, from 1 July 2008 to 30 June 2012.
	Second loan	24 months, from 01 July 2010 to 30 June 2012.
Total credit	First loan	USD 750,000.00
	Second loan	USD 500,000.00
Repayment	First loan	Principal is due on the maturity date and interest is paid at the end of May and November.
	Second loan	Principal is due on 31 March 2012 and 30 June 2012 and interest is paid at the end of May and November.
Interest rate	First loan	Interest rate is 9.50% per annum.
	Second loan	Interest rate 11.05% per annum.
Security	First loan	This loan is unsecured.
	Second loan	This loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

14. Borrowings (continued)

iv. Rural Development Bank

Terms	36 months from 11 May 2010 to 10 May 2013.
Total credit	USD 100,000.00
Repayment	Principal is due on the maturity date and interest is paid every earlier of each month
Interest rate	9% per annum.
Security	This loan is unsecured.

v. Oikocredit

Terms	Second loan	48 months, from 27 March 2007 to 26 March 2011.
	Third loan	48 months, from 19 November 2009 to 18 November 2013.
Total credit	Second loan	USD 350,000.00 and KHR 1,419,600,000.00
	Third loan	KHR 2,050,000,000.00
Repayment	Second loan	The principal of the loan will be repaid in 6 equal semi-annual payments of USD 58,333.33 and KHR 236,600,000, 18 months after the first disbursement and interest amount will be paid 6 months after the first disbursement and every 6 months thereafter.
	Third loan	The principal of the loan will be repaid in seven equal semi-annual payments of KHR 292,857,000, 12 months after the first disbursement and every six months and interest will be payable consecutively and semi-annually, the first payment of interest will be paid 6 months after the first disbursement and every 6 months thereafter.
Interest rate	Second loan	9.5% per annum for loan in US\$ and 7.50% per annum plus ADB projected annual inflation rate but never lower than 11% for loan in KHR.
	Third loan	14.84% per annum for first year and 1 year Euribor the beginning of the invoicing period plus annual ADB projected inflation plus 4.38% for the remaining of the period of the loan.
Security	Second loan	This loan is unsecured.
	Third loan	This loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

14. Borrowings (continued)

vi. Norwegian Investment Fund for Development Countries

Terms	First loan	48 months, from 21 May 2008 to 21 May 2012.
Total credit	First loan	USD 500,000.00
Repayment	First loan	The initial repayment installment of the principal was made on 30 May 2009 and 23 November 2009 of US\$71,429 and US\$71,429 respectively. The remaining principal balance and interest will be paid every 6 months thereafter.
Interest rate	First loan	Interest rate is 9.5% per annum.
Security	First loan	This loan is unsecured.

vii. Micro Credit Enterprises

Terms	First loan	24 months, from 2 January 2008 to 2 January 2010.
	Second loan	36 months, from 1 December 2008 to 30 November 2011.
Total credit	First loan	USD 600,000.00
	Second loan	USD 300,000.00
Repayment	First loan	The initial repayment installment of US\$150,000 commencing 18 months after the first disbursement date and continuing on a semi-annual basis thereafter until the principal amount has been paid in full.
	Second loan	The initial repayment installment of US\$75,000 commencing 18 months after the first disbursement date and continuing on a semi-annual basis thereafter until the principal amount has been paid in full.
Interest rate	First loan	Interest rate is 9.5% per annum.
	Second loan	Interest rate is 9.5% per annum.
Security	First loan	These loans are unsecured.
	Second loan	These loans are unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

14. Borrowings (continued)

viii. BlueOrchard

Terms	First loan	24 months, from 21 April 2008 to 21 April 2010.
	Second loan	24 months, from 13 May 2009 to 13 May 2011.
Total credit	First loan	US\$400,000
	Second loan	US\$600,000
Repayment	First loan	The principal of USD 200,000.00 was paid on 21 April 2009 and the remaining balance will be paid on maturity date.
	Second loan	The principal of USD 300,000.00 will be paid on 13 May 2010 and remaining balance will be paid on maturity date.
Interest rate	First loan	Interest rate is 10% per annum.
	Second loan	Interest rate is 9.50% per annum.
Security	First loan	These loans are unsecured.
	Second loan	These loans are unsecured.

ix. Music Security Inc.

Terms	First loan	48 months, from 01 December 2009 to 28 June 2013.
	Second loan	39 months, from 30 March 2010 to 28 June 2013.
Total credit	First loan	JPY28,500,000.00
	Second loan	JPY14,640,000
Repayment	First loan	30 June 2011 , 30 June 2012 and 28 June 2013
	Second loan	30 June 2011 , 30 June 2012 and 28 June 2013
Interest rate	First loan	Interest rate is 7.5% per annum.
	Second loan	Interest rate is 7.5% per annum.
Security	First loan	This loan is unsecured.
	Second loan	This loan is unsecured.

15. Other liabilities

	2010		2009
	USD	KHR'000	USD
Accrued expenses	135,815	550,459	108,065
Dividend payable	95,780	388,196	-
Salary payable	28,343	114,874	22,798
Withholding tax payable	29,547	119,754	20,115
Others	99,964	405,154	41,959
	389,449	1,578,437	192,937

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

16. Share capital

	2010		2009
	USD	KHR'000	USD
130,000 fully paid shares of USD 10 each:			
Balance at beginning of year	1,185,726	4,805,747	600,000
Capital increase	<u>114,274</u>	<u>463,153</u>	<u>585,726</u>
Balance at end of year	<u>1,300,000</u>	<u>5,268,900</u>	<u>1,185,726</u>

Details of the Company's issued and paid-up capital

	2010	2009
	USD	USD
Conversion of loan from CMI International holding	-	200,000
Conversion of interest payable to CMI International Holding	-	1,081
Conversion of subordinated debt from CHC-NGO	57,907	-
Conversion of interest payable on subordinated debt from CHC-NGO	-	5,498
Amount due to shareholders	<u>620</u>	<u>8,502</u>
	58,527	215,081
Transfer of dividend	-	156,147
Cash injection	<u>55,747</u>	<u>214,498</u>
	<u>114,274</u>	<u>585,726</u>

17. Reserves

	2010		2009
	USD	KHR'000	USD
Statutory reserve	42,710	173,104	33,415
General reserve	<u>85,417</u>	<u>346,195</u>	<u>66,828</u>
	<u>128,127</u>	<u>519,299</u>	<u>100,243</u>

As per Article 35 of the Company Memorandum and Articles of Association, the Company is required to allocate 5% of its annual net income to a reserve account until that account represents 20% of the register capital, and 10% of the annual net income shall be allocated for general reserve.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

18. Subordinated debt

	2010 USD	2009 USD
Balance at 1 January	57,907	57,907
Transfer to paid up capital	<u>(57,907)</u>	<u>-</u>
Balance at 31 December	<u><u>-</u></u>	<u><u>57,907</u></u>

19. Interest income

	2010 USD	2010 KHR'000	2009 USD
Loans and advances	1,691,852	6,857,076	1,637,689
Interest from banks	<u>108</u>	<u>438</u>	<u>4,324</u>
	<u><u>1,691,960</u></u>	<u><u>6,857,514</u></u>	<u><u>1,642,013</u></u>

20. Interest expense

	2010 USD	2010 KHR'000	2009 USD
Interest expense on borrowings	<u>498,787</u>	<u>2,021,584</u>	<u>451,628</u>

21. Non-interest income

	2010 USD	2010 KHR'000	2009 USD
Fee and commission	7,515	30,458	5,245
Unrealised foreign exchange gain	32,333	131,046	-
Gain on disposals of property and equipment	-	-	300
Penalty income	18,394	74,551	19,979
Other income	<u>3,282</u>	<u>13,302</u>	<u>302</u>
	<u><u>61,524</u></u>	<u><u>249,357</u></u>	<u><u>25,826</u></u>

22. Other operating expenses

	2010 USD	2010 KHR'000	2009 USD
Unrealised foreign exchange loss	-	-	30,774
Transportation costs	71,732	290,730	63,745
Office rental	66,356	268,941	51,044
Professional fees and other related costs	30,270	122,684	34,144
Village Bank Committe costs	21,553	87,354	21,074

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

22. Other operating expenses (continued)

	2010		2009
	USD	KHR'000	USD
Communications	17,853	72,358	15,330
Utilities	15,799	64,033	11,221
Office supplies	11,567	46,881	10,794
Stationery and printing costs	11,774	47,720	8,871
Advertising	24,894	100,895	6,594
Bank charges	7,530	30,519	6,375
Repairs and maintenance	5,828	23,621	5,253
Commissions	19,013	77,060	4,916
Reception and entertainment	19,311	78,267	4,268
Donation and gifts	2,790	11,308	3,541
Securities	3,168	12,840	3,082
License and other tax expenses	2,711	10,988	2,462
Membership and subscription fees	1,157	4,689	1,667
Conference and meeting	2,298	9,314	1,176
Insurance premiums	2,039	8,264	841
General withholding tax expense	13,931	56,462	-
Withholding tax on fringe benefit	539	2,185	-
Tax penalty	3,173	12,860	-
Bad debt written off	6,429	26,057	-
Other expenses	16,605	67,300	16,451
	378,320	1,533,330	303,623

23. Financial risk management

The following are policies and guidelines adopted by the Company to manage risks related to its business activities.

23.1 Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

23.2 Market risk

23.2.1 Foreign currency exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company has no material exposures to currency risk as it transacts essentially in US Dollar. Significant presence of US Dollar is a normal practice of Company operating in Cambodia as this is a currency widely in use in Cambodia.

23.2.2 Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

The Management is satisfied that the Company's position is such that exposure to movements in interest rates is minimised.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

SAMIC- LIMITED, 31 DECEMBER 2010
(formerly known as C-H-C Limited - Micro Finance Institution)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

23. Financial risk management (continued)

23.2.2 Interest rate risk (continued)

As at 31 December 2010	Up to 1 month	1-3 months	4-12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rates
ASSETS	USD	USD	USD	USD	USD	USD	USD	%
Cash on hand	-	-	-	-	-	8,409	8,409	-
Deposits and placements with banks	1,993	-	-	-	-	183,080	185,073	-
Statutory deposits with central bank	-	-	-	-	65,000	-	65,000	0.12%
Loans and advances to customers:								
- Performing	230,469	224,952	2,406,954	2,946,322	-	-	5,808,697	32.40% - 38.40%
- Non-performing	-	33,421	37,490	176,852	-	-	247,763	32.40% - 38.40%
- General provision	-	-	-	-	-	(58,087)	(58,087)	-
- Specific provisions	-	-	-	-	-	(191,441)	(191,441)	-
- Interests receivable	-	-	-	-	-	189,325	189,325	-
- Interests in suspense	-	-	-	-	-	(97,952)	(97,952)	-
Investment in registered stock share	-	-	-	-	-	9,220	9,220	-
Other receivable	-	-	-	-	-	38,258	38,258	-
TOTAL ASSETS	232,462	258,373	2,444,444	3,123,174	65,000	80,812	6,204,265	
LIABILITIES								
Deposits from customers	-	-	-	-	-	25	25	-
Revolving funds	-	350,000	-	-	-	-	350,000	12%
Borrowings	-	706,767	450,000	2,864,100	-	-	4,020,867	7.5% - 13.02%
Provision for pension fund	-	-	-	-	-	59,082	59,082	-
Provision for income tax	-	-	-	-	-	38,846	38,846	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

23. Financial risk management (continued)

23.2.2 Interest rate risk (continued)

As at 31 December 2010	Up to 1 month	1-3 months	4-12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rates
LIABILITIES	USD	USD	USD	USD	USD	USD	USD	%
Other liabilities	567	44,115	62,377	27,668	-	254,722	389,449	-
TOTAL LIABILITIES	567	1,100,882	512,377	2,891,768	-	352,675	4,858,269	
Interest sensitivity gap 2010 (USD)	231,895	(842,509)	1,932,067	231,406	65,000	(271,863)	1,345,996	

As at the year end, the Company does not have any fixed rate liabilities at fair value through profit or loss and does not have derivatives. Therefore, a change in interest rates at end of year would not affect profit or loss. Similarly, the Company does not have significant variable rate instruments. Therefore, no cash flow sensitivity analysis was presented.

As at 31 December 2009 (restated)	Up to 1 month	1-3 months	4-12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rates
ASSETS	USD	USD	USD	USD	USD	USD	USD	%
Cash on hand	-	-	-	-	-	50,975	50,975	-
Deposits and placements with banks	1,641	-	-	-	-	219,481	221,122	0.52%
Statutory deposits with central bank	-	-	-	-	65,000	-	65,000	0.24%
Loans and advances to customers:								
- Performing	91,665	60,773	2,414,024	2,712,908	-	-	5,279,370	39%
- Non-performing	-	114,874	94,205	62,647	-	-	271,726	39%
- General provision	-	-	-	-	-	(52,795)	(52,795)	-
- Specific provisions	-	-	-	-	-	(101,102)	(101,102)	-

SAMIC- LIMITED, 31 DECEMBER 2010
(formerly known as C-H-C Limited - Micro Finance Institution)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

23. Financial risk management (continued)

23.2.2 Interest rate risk (continued)

As at 31 December 2009	Up to 1 month	1-3 months	4-12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rates
	USD	USD	USD	USD	USD	USD	USD	%
ASSETS								
- Interests receivable	-	-	-	-	-	142,612	142,612	-
- Interests in suspense	-	-	-	-	-	-	-	-
Investment in registered stock share	-	-	-	-	-	2,177	2,177	-
Other receivable	-	-	-	-	-	38,546	38,546	-
TOTAL ASSETS	93,306	175,647	2,508,229	2,775,555	65,000	299,894	5,917,631	
LIABILITIES								
Deposits from customers	-	-	-	-	-	617	617	-
Borrowings	-	403,591	1,250,000	2,605,708	-	-	4,259,299	10.42%
Provision for pension fund	-	-	-	-	-	39,855	39,855	-
Provision for income tax	-	-	-	-	-	58,457	58,457	-
Other liabilities	-	-	-	-	-	192,937	192,937	-
TOTAL LIABILITIES	-	403,591	1,250,000	2,605,708	-	291,866	4,551,165	
Interest sensitivity gap 2009 (USD)	93,306	(227,944)	1,258,229	169,847	65,000	8,028	1,366,466	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

23. Financial risk management (continued)

23.2.3 Liquidity risk

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

As at 31 December 2010	Up to 1 month USD	1-3 months USD	4-12 months USD	1-5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
ASSETS							
Cash on hand	8,409	-	-	-	-	-	8,409
Deposits and placements with banks	185,073	-	-	-	-	-	185,073
Statutory deposits with central bank	-	-	-	-	-	65,000	65,000
Loans and advances to customers:							
- Performing	230,469	224,952	2,406,954	2,946,322	-	-	5,808,697
- Non-performing	-	33,421	37,490	176,852	-	-	247,763
- General provision	-	-	-	-	-	(58,087)	(58,087)
- Specific provisions	-	-	-	-	-	(191,441)	(191,441)
- Interests receivable	-	-	-	-	-	189,325	189,325
- Interests in suspense	-	-	-	-	-	(97,952)	(97,952)
Investment in registered stock share	-	-	9,220	-	-	-	9,220
Other receivable	4,665	-	16,795	16,798	-	-	38,258
TOTAL ASSETS	428,616	258,373	2,470,459	3,139,972	-	(93,155)	6,204,265
LIABILITIES							
Deposits from customers	-	-	25	-	-	-	25
Revolving funds	-	350,000	-	-	-	-	350,000
Borrowings	-	706,767	450,000	2,864,100	-	-	4,020,867

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

23. Financial risk management (continued)

23.2.3 Liquidity risk (continued)

As at 31 December 2010	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	No fixed maturity date	Total
LIABILITIES	USD	USD	USD	USD	USD	USD	USD
Provision for pension fund	-	-	-	-	-	59,082	59,082
Provision for income tax	1,518	37,328	-	-	-	-	38,846
Other liabilities	35,904	144,818	108,924	99,803	-	-	389,449
TOTAL LIABILITIES	37,422	1,238,913	558,949	2,963,903	-	59,082	4,858,269
Net position 2010 (USD)	391,194	(980,540)	1,911,510	176,069	-	(152,237)	1,345,996
As at 31 December 2009 (restated)	Up to 1 month	1-3 months	4-12 months	1-5 years	Over 5 years	No fixed maturity date	Total
LIABILITIES	USD	USD	USD	USD	USD	USD	USD
TOTAL LIABILITIES	194,400	56,994	1,250,617	3,009,299	-	39,855	4,551,165

23.3 Credit risk

The Company assumes exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and the geographical and industry segments. Procedures of risk limit setting, monitoring, usage, and control are governed by internal regulations. Such risks are monitored on a regular basis.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate or personal guarantees as well as by providing for loan losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

23. Financial risk management (continued)

23.4 Capital management

The Company considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans. The Company details these considerations through an internal capital adequacy assessment process and the key features of which include (a) consideration of both economic and regulatory of minimum capital requirements set by the National Bank of Cambodia, (b) safeguarding the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, (c) maintaining a strong capital base to support the development of business.

24. Commitments and contingencies

24.1 Tax interpretation

The Cambodian General Department of Taxation has two separate offices that are authorised to conduct tax audits of entities undertaking activities and doing business in Cambodia. The application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by these two tax offices. The Company's judgement of its business activities may not coincide with the interpretation of the same activities by those tax offices.

If a particular treatment was to be challenged by those various tax authorities, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years with a possible extension of up to ten years.

24.2 Credit related commitments

The Company has no commitments and contingent liabilities as a micro finance institution is not in the position to provide guarantees or contingent assurances.

25. Significant related party transactions

	2010		2009
	USD	KHR'000	
CMI-International Holding			
Conversion of loans	-	-	200,000
Interest payable	-	-	1,081
CHC – NGO			
Conversion of interest payable on subordinated debt			5,498
Conversion of subordinated debt	57,907	234,697	-
CHC – NGO Interest expenses	-	-	2,024
Board of Directors fees	38,924	157,759	33,524

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010
(continued)

26. Lease commitments

The Company has lease commitments in respect of the lease of Company's premises as follows:

	2010		2009
	USD	KHR'000	
Not later than one year	65,677	266,189	63,979
More than one year but less than three years	62,103	251,703	108,266
More than three years	-	-	7,070
	<u>127,780</u>	<u>517,892</u>	<u>179,315</u>

27. Fair value of financial assets and liabilities

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Since market prices for the major part of Company's financial assets and liabilities are not available, the fair value of these items is based on the estimates of Management according to the type of assets and liabilities. According to the estimation of Management, the market value is not materially different from the book value of all categories of assets and liabilities.

FOR THE NATIONAL BANK OF CAMBODIA USE ONLY

**SUPPLEMENTARY FINANCIAL INFORMATION
AND OTHER DISCLOSURES REQUIRED
BY THE NATIONAL BANK OF CAMBODIA**

**Ratio and information contained in this section have been extracted from data
contained in the audited financial statements for the year ended 31 December 2010**

STATEMENT BY THE BOARD OF DIRECTORS

We, the undersigned, being two of the directors of SAMIC-Limited do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by *Prakas* of the National Bank of Cambodia are properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2010. Information and data contained herein is the responsibility of the Company's management.

On behalf of the Board of Directors

Dr. Sok Thim
Chairman of the Board
Date: 22 March 2011

Mr. King Kap Kalyan
General Manager
Date: 22 March 2011

NET WORTH AS AT 31 DECEMBER 2010

In accordance with the NBC's *Prakas* No. B 7-00-47 dated 16 February 2000 amended by *Prakas* No. B 7-07-132 dated 27 August 2007; the Company should maintain a permanent net worth value to at least equal to its paid-up share capital. The Company's net worth as at 31 December 2010 was calculated as follows:

	2010		2009
	USD	KHR'000	USD
CATEGORY A ITEMS			
Paid-up capital	1,300,000	5,268,900	1,185,726
Reserves other than re-evaluation reserves	128,127	519,299	100,243
Share premiums	-	-	-
Provision for general banking risks	-	-	-
Retained earnings	(27,884)	(113,014)	11,128
Current year earnings / (losses)	185,890	753,413	242,357
Other items approved by NBC	-	-	-
SUB-TOTAL A	1,586,133	6,428,597	1,539,454
CATEGORY B ITEMS			
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dates other than year-end	-	-	-
SUB-TOTAL B	-	-	-
C. BASE NET WORTH (A-B)	1,586,133	6,428,597	1,539,454
CATEGORY D ITEMS			
Revaluation reserve	-	-	-
Subordinated debts	-	-	57,907
Other items approved by the NBC	-	-	-
SUB-TOTAL D	-	-	57,907
CATEGORY E ITEMS			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
SUB-TOTAL E	-	-	-
F. TOTAL NET WORTH (C+D-E)	1,586,133	6,428,597	1,597,361

LIQUIDITY RATIO AS AT 31 DECEMBER 2010

In accordance with the NBC's *Prakas* No. B 7-00-38 dated 9 February 2000 amended by *Prakas* No. B 7-02-48 dated 25 February 2002; micro-finance institutions are required to calculate a liquidity ratio which should be at least 100%. Details of calculations are shown below.

	2010		2009
	USD	KHR'000	USD
A. NUMERATOR			
<i>Debit items:</i>			
Cash	8,409	34,082	50,975
Deposits with the NBC excluding statutory deposits	918	3,721	840
Deposits with banks	184,155	746,380	220,282
Portion of lending to banks and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to 1 month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	193,482	784,183	272,097
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowings from NBC and banks less than one month to run	-	-	-
Total credit items	-	-	-
TOTAL A. Lender / (Borrower) position	193,482	784,183	272,097
B. DENOMINATOR			
Voluntary saving deposits at 25%	6	24	154
TOTAL B	6	24	154
Liquidity ratio (A/B)	>100%		>100%

CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2010

In accordance with the NBC's *Prakas* No. B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-07-133 dated 27 August 2007; all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 per cent.

		2010		2009
		USD	KHR'000	USD
				(Restated)
	Weightings			
NUMERATOR				
A. Net worth as at 31 December		<u>1,586,133</u>	<u>6,428,597</u>	<u>1,597,361</u>
DENOMINATOR				
Cash in hand	0%	-	-	-
Deposits with the NBC	0%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claim on banks rated A+ to A-	50%	-	-	-
Other assets	100%	6,370,075	25,817,913	6,031,711
Off-balance sheet items	100%	-	-	-
B. Total risk-weighted assets		<u>6,370,075</u>	<u>25,817,913</u>	<u>6,031,711</u>
CAPITAL ADEQUACY RATIO (A/B)		<u>25%</u>		<u>26%</u>

LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS

In accordance with the NBC's *Prakas* No. B 7-02-186 dated 13 September 2002; micro-finance institutions shall classify their loan portfolio into four classes defined as standard, substandard, doubtful and loss, and record specific provisions regardless of the assets (except cash) lodged as collateral. The loan classification and provision for bad and doubtful debts as at 31 December 2010 are as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Company's Provision USD	Difference USD
At 31 December 2010					
Standard	5,808,697	0%	-	-	-
Substandard	33,421	10%	(3,342)	(3,342)	-
Doubtful	37,490	30%	(11,247)	(11,247)	-
Loss	176,852	100%	(176,852)	(176,852)	-
	6,056,460		(191,441)	(191,441)	-
General provision	(58,087)		-	(58,087)	58,087
	5,998,373		(191,441)	(249,528)	58,087
Equivalents in KHR'000	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	23,542,649	0%	-	-	-
Substandard	135,455	10%	(13,545)	(13,545)	-
Doubtful	151,947	30%	(45,584)	(45,584)	-
Loss	716,781	100%	(716,781)	(716,781)	-
	24,546,832		(775,910)	(775,910)	-
General provision	(235,427)		-	(235,427)	235,427
	24,311,405		(775,910)	(1,011,337)	235,427
	Principal Loans USD	% of Provision %	NBC's Standard USD	Company's Provision USD	Difference USD
At 31 December 2009					
Standard	5,279,488	0%	-	-	-
Substandard	114,934	10%	(11,494)	(11,494)	-
Doubtful	95,808	30%	(28,742)	(28,742)	-
Loss	60,866	100%	(60,866)	(60,866)	-
	5,551,096		(101,102)	(101,102)	-
General provision	(52,795)		-	(52,795)	52,795
	5,498,301		(101,102)	(153,897)	52,795

FOREIGN CURRENCY TRANSACTIONS

In accordance with the NBC's *Prakas* B7-00-50 dated 9 February 2000, the Company is required to disclose a summary of assets and liabilities at the balance sheet date in their sources currencies which was as follows:

	2010		2009
	USD	KHR'000	USD
	or Equivalents	or Equivalents	or Equivalents
Assets:			
US Dollar	4,521,905	18,327,281	4,131,426
Khmer Riel	<u>1,922,497</u>	<u>7,791,880</u>	<u>2,017,100</u>
	<u>6,444,402</u>	<u>26,119,161</u>	<u>6,148,526</u>
Liabilities:			
US Dollar	4,285,571	17,369,419	3,870,700
Khmer Riel	<u>572,698</u>	<u>2,321,145</u>	<u>680,465</u>
	<u>4,858,269</u>	<u>19,690,564</u>	<u>4,551,165</u>

No hedging was recognised in the above balances.

**OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY
THE LAW ON BANKING AND FINANCIAL INSTITUTIONS**

▪ **Minimum capital** (*Prakas B7-00-06* dated 11 January 2000)

The Company's paid-up capital at the balance sheet date is USD 1,300,000 (equivalent to approximately KHR 5,3 billion).

▪ **Large exposures** (*Prakas B7-00-06* dated 11 January 2000)

Under the provisions of *Prakas* No. B7-00-06 dated 11 January 2000, all micro-finance institutions are required to maintain at all times a maximum ratio of 10% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

The Company has no large exposures at the balance sheet date.