

**AMRET CO., LTD**

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

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

## **STATEMENT OF THE BOARD OF DIRECTORS**

The Board of Directors (“BOD”) submits its report and the audited financial statements of Amret Co., Ltd. (“Amret”) for the year ended 31 December 2006.

### **AMRET CO., LTD**

Amret Co., Ltd. (“Amret”), a licensed micro-finance institution (“MFI”), was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under register number Co-820/00E dated 10 July 2000. Amret is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia.

Amret obtained its renewed license from the Central Bank to conduct business as a micro-finance institution in the Kingdom of Cambodia as set out in Central Bank’s register No. 001 dated 30 April 2004. The license will expire on 18 May 2007. Amret is in the process of applying renewal of its indefinite period of license from National Bank of Cambodia. Management expected to obtain the renewal license before 18 May 2007.

### **PRINCIPAL ACTIVITY**

Amret is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia.

### **RESULTS OF OPERATION AND DIVIDEND**

The financial performance for the year ended 31 December 2006 are set out in the statement of income on page 8.

In July 2006, dividends amounting to Riel 577,000,000 (2005: Riel 423,265,000) were declared and paid from Amret’s net income for the year ended 31 December 2005.

### **SHARE CAPITAL**

There were no changes in the registered and issued share capital of Amret for the year.

### **RESERVES AND PROVISIONS**

There were no movements to or from reserves and provisions during the year under review.

## **BAD AND DOUBTFUL LOANS**

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

At the date of this report, the BOD is not aware of any circumstances of bad or doubtful debts in the financial statements of Amret.

## **CURRENT ASSETS**

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

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

## **VALUATION METHODS**

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

## **CONTINGENT AND OTHER LIABILITIES**

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

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

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

## **CHANGE OF CIRCUMSTANCES**

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

## ITEMS OF AN UNUSUAL NATURE

The financial performance of Amret for the year ended 31 December 2006 were not, in the opinion of the BOD, materially affected by any items, transactions or events of a material and unusual nature.

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

## DIRECTORS

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

1. Dr. CLAUDE FALGON (Chairmen)
2. Mr. CHRISTIAN BARON (Member)
3. Dr. EDMOND DE CAPELE (Member)
4. Mr. CHEA PHALARIN (Member)
5. Mr. PATRICE HOPINOT (Member)
6. Mr. KANG CHANDARAROT (Member)

## DIRECTOR'S INTERESTS

The interests of the directors in the shares of Amret during this year and at the date of this report are as follows:

| Shareholders  | Represented by          | Holding    | Number of                         |
|---|-------------------------|------------|-----------------------------------|
|   |                         | %          | shares<br>of Reil<br>200,000 each |
| Groupe de Recherche et d'<br>Echanges Technologiques ("GRET")<br>SIDI   | Mr. CHRISTIAN BARON     | 47.45      | 2,673                             |
|   | Dr. EDMOND DE<br>CAPELE | 18.85      | 1,062                             |
| La Fayette participations and La<br>Fayette Investissement SA<br>Investisseur & Partenaire pour le<br>Developpement | Dr. CLAUDE FALGON       | 19.50      | 1,098                             |
|   | Mr. PATRICE HOPINOT     | 14.20      | 800                               |
|   |                         | <u>100</u> | <u>5,633</u>                      |

## DIRECTORS' BENEFITS

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

No director of Amret has received or become entitled to receive any benefit (other than the benefit received by the directors as disclosed in note 34 to the financial statements) by reason of a contract made by Amret or with a firm which the director is a member, or with a company which the director has a material financial interest.

## **RESPONSIBILITIES OF THE BOD 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 Amret as at 31 December 2006, and of its 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 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 Amret will continue operations in the foreseeable future;
- v) set overall policies for Amret, ratify all decisions and actions by the BOD that have a material effect on the operations and performance of Amret, and ensure they have been properly reflected in the financial statements.

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

On behalf of the BOD,

---

Mr. Chea Phalarin  
General Director  
Date: 2 April 2007

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Amret Co., Ltd.

We have audited the accompanying financial statements of Amret Co., Ltd. ("Amret") which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes on pages 7 to 41.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 controls 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 Amret as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with 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: 2 April 2007

**AMRET CO., LTD****BALANCE SHEET  
AS AT 31 DECEMBER 2006**

|   | Note | 2006<br>Riel '000 | 2005<br>Riel '000 |
|---|------|-------------------|-------------------|
| <b>ASSETS</b>   |      |                   |                   |
| Cash in hand  | 3    | 1,917,657         | 805,415           |
| Balances with banks                                   | 4    | 6,514,302         | 1,124,851         |
| Balances with Central Bank                            | 5    | 8,216,795         | 10,972,477        |
| Loans and advances to customers                       | 6    | 70,943,077        | 46,156,606        |
| Grants receivable                                     | 7    | -                 | 149,261           |
| Other assets  | 8    | 3,052,167         | 1,924,950         |
| Deferred tax assets                                   | 9    | 288,741           | 172,882           |
| Intangible assets                                     | 10   | 106,141           | 110,673           |
| Property and equipment                                | 11   | 1,114,713         | 875,376           |
| <b>TOTAL ASSETS</b>                                   |      | <b>92,153,593</b> | <b>62,292,491</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |      |                   |                   |
| <b>LIABILITIES</b>                                    |      |                   |                   |
| Customers' deposits                                   | 12   | 1,337,715         | 772,944           |
| Borrowings  | 13   | 61,480,916        | 38,948,980        |
| Subordinated debt                                     | 14   | 4,032,971         | 4,032,971         |
| Provision for retirement benefits                     | 15   | 1,393,149         | 788,181           |
| Deferred grant income                                 | 16   | 12,198            | 17,728            |
| Current income tax liabilities                        | 17   | 1,220,988         | 878,409           |
| Accruals and other liabilities                        | 18   | 2,946,056         | 1,960,113         |
| Total Liabilities                                     |      | 72,423,993        | 47,399,326        |
| <b>SHAREHOLDERS' EQUITY</b>                           |      |                   |                   |
| Share capital   | 19   | 1,126,600         | 1,126,600         |
| Share premium   | 20   | 419,148           | 419,148           |
| Retained earnings                                     |      | 15,168,611        | 10,400,311        |
| Statutory reserve                                     |      | 2,285,868         | 2,285,868         |
| Reserve for general risks                             |      | 616,713           | 548,578           |
| Legal reserve   |      | 112,660           | 112,660           |
| Total Shareholders' Equity                            |      | 19,729,600        | 14,893,165        |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> |      | <b>92,153,593</b> | <b>62,292,491</b> |

By: \_\_\_\_\_  
Ms. LIM SOPHA  
Finance and Administration Manager

Date: 2 April 2007

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

**AMRET CO., LTD****INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

|                                      | <b>Note</b> | <b>2006<br/>Riel '000</b> | <b>2005<br/>Riel '000</b> |
|--------------------------------------|-------------|---------------------------|---------------------------|
| Interest income                      | 22          | 23,751,290                | 16,161,790                |
| Interest expense                     | 23          | <u>(4,485,249)</u>        | <u>(2,732,989)</u>        |
|                                      |             | 19,266,041                | 13,428,801                |
| <b>Net interest income</b>           |             |                           |                           |
| Fee and commission expense           | 24          | (2,457,171)               | (1,504,487)               |
| Grant income                         | 25          | 5,530                     | 317,779                   |
| Other operating income               |             | <u>145,874</u>            | <u>78,805</u>             |
| <b>Operating income</b>              |             | 16,960,274                | 12,320,898                |
| Provision for bad and doubtful loans | 6           | 6,259                     | (101,170)                 |
| Operating and other expenses         | 26          | <u>(10,208,926)</u>       | <u>(7,379,964)</u>        |
| <b>Profit before income tax</b>      |             | 6,757,607                 | 4,839,764                 |
| Income tax expense                   | 27          | <u>(1,344,172)</u>        | <u>(993,111)</u>          |
| <b>Profit for the year</b>           |             | <u>5,413,435</u>          | <u>3,846,653</u>          |

By: \_\_\_\_\_  
Ms. LIM SOPHA  
Finance and Administration Manager

Date: 2 April 2007

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

AMRET CO., LTD

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

|                               | Note | Share capital<br>Riel '000 | Share premium<br>Riel '000 | Retained earnings<br>Riel '000 | Statutory reserve<br>Riel '000 | Reserve for general risks<br>Riel '000 | Legal reserve<br>Riel '000 | Total<br>Riel '000 |
|-------------------------------|------|----------------------------|----------------------------|--------------------------------|--------------------------------|--|----------------------------|--------------------|
| <b>As at 1 January 2005</b>   |      | 1,126,600                  | 419,148                    | 7,008,618                      | 2,285,868                      | 516,883                                | 112,660                    | 11,469,777         |
| Dividend for 2004             | 29   | -                          | -                          | (423,265)                      | -                              | -                                      | -                          | (423,265)          |
| Reversal of general risks     |      | -                          | -                          | (31,695)                       | -                              | 31,695                                 | -                          | -                  |
| Net income for the year       |      | -                          | -                          | 3,846,653                      | -                              | -                                      | -                          | 3,846,653          |
| <b>As at 31 December 2005</b> |      | 1,126,600                  | 419,148                    | 10,400,311                     | 2,285,868                      | 548,578                                | 112,660                    | 14,893,165         |
| Dividend for 2005             | 29   | -                          | -                          | (577,000)                      | -                              | -                                      | -                          | (577,000)          |
| Reversal of general risks     |      | -                          | -                          | (68,135)                       | -                              | 68,135                                 | -                          | -                  |
| Net income for the year       |      | -                          | -                          | 5,413,435                      | -                              | -                                      | -                          | 5,413,435          |
| <b>As at 31 December 2006</b> |      | 1,126,600                  | 419,148                    | 15,168,611                     | 2,285,868                      | 616,713                                | 112,660                    | 19,729,600         |

By: \_\_\_\_\_  
Ms. LIM SOPHA  
Finance and Administration Manager

Date: 2 April 2007

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

**AMRET CO., LTD**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

|   | <u>Note</u> | <u>2006<br/>Riel '000</u> | <u>2005<br/>Riel '000</u> |
|---|-------------|---------------------------|---------------------------|
| <b>OPERATING ACTIVITIES</b>                                   |             |                           |                           |
| Cash used in operation  | 28          | (16,657,081)              | (10,177,991)              |
| Income tax paid   |             | <u>(1,144,048)</u>        | <u>(753,626)</u>          |
| <b>Net cash outflow from operating activities</b>             |             | <u>(17,801,129)</u>       | <u>(10,931,617)</u>       |
| <b>INVESTING ACTIVITIES</b>                                   |             |                           |                           |
| Fixed deposit and reserve accounts with<br>Central Bank       |             | 3,168,235                 | (5,968,769)               |
| Fixed deposits with other banks                               |             | -                         | 1,213,615                 |
| Proceed from sale of property and equipment                   |             | 54,960                    | -                         |
| Purchase of property and equipment                            | 11          | (591,995)                 | (693,998)                 |
| Purchase of intangible assets                                 | 10          | <u>(70,611)</u>           | <u>(113,486)</u>          |
| <b>Net cash outflow from investing activities</b>             |             | <u>2,560,589</u>          | <u>(5,562,638)</u>        |
| <b>FINANCING ACTIVITIES</b>                                   |             |                           |                           |
| Dividends paid  | 29          | (577,000)                 | (423,265)                 |
| Proceeds from borrowings                                      |             | 29,768,626                | 25,151,520                |
| Repayments of borrowings                                      |             | <u>(7,036,840)</u>        | <u>(6,908,395)</u>        |
| <b>Net cash inflow from financing activities</b>              |             | <u>22,154,786</u>         | <u>17,819,860</u>         |
| <b>Net increase in cash and cash equivalents</b>              |             | 6,914,246                 | 1,325,605                 |
| <b>Cash and cash equivalents at the<br/>beginning of year</b> |             | <u>1,979,133</u>          | <u>653,528</u>            |
| <b>Cash and cash equivalents at the end of<br/>year</b>       | 21          | <u><u>8,893,379</u></u>   | <u><u>1,979,133</u></u>   |

The accompanying notes on pages 11 to 41 form an integral part of these financial statements.

## AMRET CO., LTD

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

#### 1. BACKGROUND INFORMATION

Amret Co., Ltd. ("Amret"), a licensed micro-finance institution ("MFI"), was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under register number Co-820/00E dated 10 July 2000. Amret is engaged primarily in the provision of micro-finance services to the rural population of Cambodia through its headquarters in Phnom Penh and various provincial offices in the Kingdom of Cambodia.

The MFI was initially established in 1991 as an experimental project by the French NGO Groupe de Recherche et d' Echanges Technologiques (GRET). All assets, liabilities and reserves of the Project were transferred to Amret on 1 July 2000.

Amret obtained its renewed license from the Central Bank to conduct business as a micro-finance institution in the Kingdom of Cambodia as set out in Central Bank's register No. 001 dated 30 April 2004. The license will expire on 18 May 2007. Amret is in the process of applying renewal of its indefinite period of license from National Bank of Cambodia. Management expected to obtain the renewal license before 18 May 2007.

As at 31 December 2006, the Company had 399 employees (31 December 2005: 299 employees).

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted 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.

##### **a) Basis of presentation**

The financial statements of Amret, which are expressed in Cambodian Riel ("Riel"), are prepared under the historical cost convention. Amret maintains its accounting records in Riel, the functional currency in Cambodia.

The financial statements have been prepared in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards and have been generally prepared under the historical cost convention.

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, 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 the guidelines issued by National Bank of Cambodia and Cambodian Accounting Standards.

The preparation of the financial statements in conformity with guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

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

**b) Basis of aggregation**

The financial statements, include the financial statements of the Amret's headquarters and its provincial offices within Cambodia. On aggregation of balances, all inter-office transactions and balances are eliminated in full.

**c) Loans and advance to customers**

Loans and advances to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and/or general provisions.

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients, and the performance of loans in relation to contract terms.

The provision for bad and doubtful loans charged to expense is based on management's judgment which is consistent with the Central Bank's guidelines of the amount necessary to maintain the provision at a level adequate to absorb losses. Presently, the amount of provision is being determined by applying defined percentages to the respective category to which each of the loans belong, as set out below.

| <b>Loan status/classification</b>                                   | <b>Percentage applied (%)</b> |
|---|-------------------------------|
| <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                           |
| <br><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                           |

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

In addition to minimum specific provisioning, Amret provides a general provision at 0.3% (2005: 0.5%) of the total loans and advances outstanding, net of specific provision.

**d) Overdue loan**

In accordance with Prakas B 700-51K issued by the Central Bank on 17 February 2000, overdue loans is defined as total outstanding principal where principal or interest past due unless the payment terms on interest or principal have been adjusted.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Property and equipment*

Property and equipment are stated at historical cost less accumulated depreciation.

|                     | <i>Declining method<br/>Percentage (%)</i> |
|---------------------|--|
| Office improvements | 5 (straight line method)                   |
| Office furniture    | 50   |
| Motor vehicles      | 25   |
| Office equipment    | 50   |
| Intangible assets   | 50   |

Expenditure for maintenance and repairs that do not extend the useful lives of assets are expensed to the income statement in the year in which they are incurred.

Gains or losses on the sale of property and equipment are recognised upon the disposal of such assets.

f) *Intangible assets*

*Computer software*

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

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

g) *Grants*

Revenue grants are released to the income statement over the periods they are expected to be received as stipulated in their respective grant agreements. Grants received to subsidise special missions such as trainings, marketing mission, rating mission and management information system are recognised in the income statement in the period in which the eligible expenditure was incurred. Grants received for the purchase of hardware are recognised in the income statement on a systematic and rational basis over the useful life of the asset. The portion of the grants to be collected and earned subsequent to balance sheet date are shown as *Grants receivable* and *Deferred grant income*, respectively.

h) *Income and expense recognition*

Interest earned on loans is recognised on a daily accruals basis, except where serious doubt exists as to the collectibility of loans and advance to customers, in which case no interest income is recognised. The policy on suspension of interest is in conformity with the Central Bank's Guidelines on which interest accrual on loans which are classified below standard and has not been paid will be reversed and credited to a suspense account.

Expenses are recognised on an accrual basis.

**AMRET CO., LTD**

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

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

***i) Retirement benefits***

Retirement benefits are conditional on the employee of Amret remaining in the service of Amret up to retirement age and the completion of a minimum service period as follows:

| <i>Number of<br/>working years</i> | <i>Percentage (%) of December<br/>salary provided</i> |
|------------------------------------|---|
| Up to 5 years                      | 100   |
| Up to 10 years                     | 120   |
| More than 10 years                 | 130   |

This retirement benefit will be fully paid to the employee of Amret upon retirement age, or if they resign before retirement age, be entitled to the following portion of retirement benefits:

| <i>Number of<br/>working years</i> | <i>Percentage (%) of total retirement benefits<br/>provided for the employee</i> |
|------------------------------------|--|
| Less than 3 years                  | -  |
| 3 to less than 6 years             | 25   |
| 6 to less than 12 years            | 50   |
| 12 years and more                  | 75   |

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

The liability recognized in the balance sheet in respect of this defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by management. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using Amret's average cost of borrowings plus a risk premium of 2.5%.

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

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

***j) Foreign currency translation***

1. Functional and presentation currency

Items included in the financial statements of the Amret are measured using the currency of the primary economic environment in which Amret operates (“the functional currency”). The financial statements are presented in Khmer Riel, which is Amret’s functional and presentation currency.

2. Transactions and balances

Transactions in currencies other than Khmer Riel, the functional and presentation currency, are translated into Khmer Riel at the exchange 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 Khmer Riel, are recognised in the income statement.

***k) 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 consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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. The principal temporary difference arises from tax losses carried forward.

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

***l) Taxation***

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

***m) Cash and cash equivalents***

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days’ maturity from the date of acquisition including: cash in hand, deposits with banks.

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

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

***n) Related party***

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

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

***o) Leases***

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

***p) Reserve for general risks***

This account represents a general purpose reserve established to cover the risks for micro-finance operations in Cambodia, in particular the general risks on loan delinquency, losses not covered by the provision for bad and doubtful loans, and currency risk. The reserve for currency risk is calculated based on 2% of unhedged borrowings which are denominated in United State Dollars.

***q) Legal reserve***

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

***r) Risk management***

*Financial risk management and policies*

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

Amret is exposed to risks from changes in market interest rates and in currency exchange rates. Amret manages and assumes such risks by monitoring the market movements of interest and currency exchange rates. In addition, borrowings dominated in other currency, other than Khmer Riel are pledged as cash guarantee with National Bank of Cambodia to obtain another borrowings dominated in Khmer Riel in order to minimise risk of currency exchange exposure . Amret does not hold or issue derivative instruments.

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

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

**r) Risk management (continued)**

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

*Interest rate risk*

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

*Foreign currency risk*

Amret is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Amret has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by National Bank of Cambodia. Management believes that no material exposure to currency risk as it transacts essentially in Khmer Riel.

*Credit risk*

Amret is exposed to credit risk primarily with respect to loans. Such risks are monitored on a revolving basis and subject to an annual or regular follow up visits. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Management believes that Amret's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans. Furthermore, management had policies and procedures in place and ensure potential customers/borrowers have been reassessed and management information system keeps track on loan Portfolio at Risk ("PAR"). Loans are also provided to those borrowers that are deemed profitable. Management maintains general reserve to cover potential future credit risk.

*Fair value*

Since the majority of financial assets are short-term (maturities of less than one year) with interest close to current market rates, the management believes the fair value of Amret's financial assets do not materially differ from their carrying values.

**s) Changes in accounting estimates**

Amret has changed its accounting estimate in relation to the general provision for the outstanding loans and advances to customers as at 31 December 2006. The change in estimate is detailed in note 2 (c) to the financial statements.

The change in estimate has been applied prospectively and has resulted in the general provision being Riel 142,365,000 lower than it would have been had Amret used the previous period's estimates.

AMRET CO., LTD

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

3. CASH IN HAND

|              | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--------------|---------------------------------|---------------------------------|
| Prey Veng    | 460,231                         | 151,459                         |
| Kandal       | 447,322                         | 92,322                          |
| Takeo        | 270,955                         | 82,315                          |
| Kampot       | 237,381                         | 106,470                         |
| Kampong Speu | 274,565                         | 95,532                          |
| Kompong Cham | 149,368                         | 105,788                         |
| Phnom Penh   | 28,551                          | 171,529                         |
| Siem Reap    | 49,283                          | -                               |
|              | <b>1,917,657</b>                | <b>805,415</b>                  |

4. BALANCES WITH BANKS

|  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--|---------------------------------|---------------------------------|
| <b><i>Current accounts, without interest</i></b> |                                 |                                 |
| Canadia Bank                                     | 2,200,239                       | 436,875                         |
| Aceda Bank                                       | 502,101                         | 192,127                         |
| Rural Development Bank (RDB)                     | 1,588                           | 32,491                          |
| <b><i>Savings</i></b>                            |                                 |                                 |
| Canadia Bank                                     | 3,809,024                       | 462,040                         |
| Rural Development Bank (RDB)                     | 1,350                           | 1,318                           |
|  | <b>6,514,302</b>                | <b>1,124,851</b>                |

5. BALANCES WITH CENTRAL BANK

|   | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|---|---------------------------------|---------------------------------|
| Fixed deposit with central bank 6 months, at 4.12%<br>(2005: 3.28%) per annum | 7,634,680                       | 10,825,080                      |
| Capital guarantee deposit   | 56,330                          | 56,330                          |
| Reserve requirement   | 64,365                          | 42,200                          |
| Current account   | 461,420                         | 48,867                          |
|   | <b>8,216,795</b>                | <b>10,972,477</b>               |

Following the Central Bank's Prakas No. B700-006 on the *Licensing of Micro-Finance Institutions*, Amret maintains its capital guarantee deposit for an amount equal to 5% of its registered capital of Riel 1,126,600,000 as at 31 December 2006 (2005: Riel 1,126,600,000) in a permanent non-interest earning account with Central Bank.

**AMRET CO., LTD**

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

**6. LOANS AND ADVANCES TO CUSTOMERS**

**a) Analysis by type of loan products**

|  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--|---------------------------------|---------------------------------|
| Solidarity credit                            | 50,088,695                      | 38,311,539                      |
| Individual credit                            | 21,078,200                      | 8,097,317                       |
|  | <u>71,166,895</u>               | <u>46,408,856</u>               |
| Provision for bad and doubtful loans (see g) | <u>(223,818)</u>                | <u>(252,250)</u>                |
|  | <u><u>70,943,077</u></u>        | <u><u>46,156,606</u></u>        |

Solidarity credit and individual credit are mostly granted in Riel to Cambodian rural residents. Loan terms range from 6 to 12 months for solidarity credit and from 6 to 24 months for individual credit. For solidarity credit, principal repayment can be made any time within the loan cycle and interest is due on a monthly basis, whereas for individual credit, interest repayment are due monthly and some of the principal repayment are flexible, while others are due monthly.

|                       | <b>2006</b> | <b>2005</b> |
|-----------------------|-------------|-------------|
| Monthly interest rate |             |             |
| Loan in Riel          | 3% to 3.5%  | 3% to 3.5%  |
| Loan in US\$          | 2.5% to 3%  | 2% to 3%    |

**b) Analysis by performing and non-performing loans**

|  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--|---------------------------------|---------------------------------|
| Standard loans                               |                                 |                                 |
| -secured                                     | 21,038,147                      | 8,078,680                       |
| -unsecured                                   | 50,086,081                      | 38,297,566                      |
| Substandard loans                            |                                 |                                 |
| -secured                                     | 25,955                          | 11,849                          |
| -unsecured                                   | 2,200                           | -                               |
| Doubtful loans                               |                                 |                                 |
| -secured                                     | 9,641                           | 3,170                           |
| -unsecured                                   | -                               | -                               |
| Losses                                       |                                 |                                 |
| -secured                                     | 4,457                           | 3,618                           |
| -unsecured                                   | 414                             | 13,973                          |
|  | <u>71,166,895</u>               | <u>46,408,856</u>               |
| Provision for bad and doubtful loans (see g) | <u>(223,818)</u>                | <u>(252,250)</u>                |
|  | <u><u>70,943,077</u></u>        | <u><u>46,156,606</u></u>        |

**AMRET CO., LTD**

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

**6. LOANS AND ADVANCES TO CUSTOMERS (continued)**

**c) Analysis by type of industry**

|  | <b>2006</b>       | <b>2005</b>       |
|--|-------------------|-------------------|
|  | <b>Riel '000</b>  | <b>Riel '000</b>  |
| Agriculture                                  | 49,552,310        | 33,443,872        |
| Trade and commerce                           | 9,419,870         | 5,804,895         |
| Services                                     | 2,358,710         | 1,309,469         |
| Transportation                               | 3,787,710         | 2,509,042         |
| Construction                                 | 1,539,160         | 898,332           |
| Household/family                             | 3,215,430         | 1,925,850         |
| Other category                               | 1,293,705         | 517,396           |
|  | <u>71,166,895</u> | <u>46,408,856</u> |
| Provision for bad and doubtful loans (see g) | (223,818)         | (252,250)         |
|  | <u>70,943,077</u> | <u>46,156,606</u> |

**d) Analysis by relationship**

|  | <b>2006</b>       | <b>2005</b>       |
|--|-------------------|-------------------|
|  | <b>Riel '000</b>  | <b>Riel '000</b>  |
| Non related parties                          | 71,166,895        | 46,408,856        |
| Provision for bad and doubtful loans (see g) | (223,818)         | (252,250)         |
|  | <u>70,943,077</u> | <u>46,156,606</u> |

**e) Analysis by maturity**

|  | <b>2006</b>       | <b>2005</b>       |
|--|-------------------|-------------------|
|  | <b>Riel '000</b>  | <b>Riel '000</b>  |
| Maturity within one year               | 67,904,437        | 45,066,254        |
| Over one year but within three years   | 3,262,458         | 1,090,352         |
| Over three years but within five years | -                 | -                 |
| Over five years                        | -                 | -                 |
|  | <u>71,166,895</u> | <u>46,156,606</u> |

AMRET CO., LTD

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

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

f) *Analysis of gross loans by branch office*

|  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--|---------------------------------|---------------------------------|
| Prey Veng                                    | 15,042,545                      | 11,962,625                      |
| Kandal                                       | 15,613,912                      | 8,879,214                       |
| Kompot                                       | 13,835,187                      | 10,056,367                      |
| Kompong Speu                                 | 8,883,545                       | 5,597,350                       |
| Takeo  | 9,460,926                       | 5,614,306                       |
| Kompong Cham                                 | 7,522,220                       | 4,298,994                       |
| Siem Reap                                    | 808,560                         | -                               |
|  | <u>71,166,895</u>               | <u>46,408,856</u>               |
| Provision for bad and doubtful loans (see g) | <u>(223,818)</u>                | <u>(252,250)</u>                |
|  | <u><u>70,943,077</u></u>        | <u><u>46,156,606</u></u>        |

g) *Provision for bad and doubtful loans*

|   | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|---|---------------------------------|---------------------------------|
| Specific provision in accordance with Central Bank's guidelines | 10,349                          | 19,727                          |
| General provision   | <u>213,469</u>                  | <u>232,523</u>                  |
| Balance at end of the year                                      | <u><u>223,818</u></u>           | <u><u>252,250</u></u>           |

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

|                                       | <b>Specific<br/>provision<br/>Riel'000</b> | <b>General<br/>provision<br/>Riel'000</b> | <b>Total<br/>Riel'000</b> |
|---------------------------------------|--|---|---------------------------|
| Balance at the beginning of year      | 19,727                                     | 232,523                                   | 252,250                   |
| Provision/(written back) for the year | 12,795                                     | (19,054)                                  | (6,259)                   |
| Written off                           | <u>(22,173)</u>                            | <u>-</u>                                  | <u>(22,173)</u>           |
| Balance at end of the year            | <u><u>10,349</u></u>                       | <u><u>213,469</u></u>                     | <u><u>223,818</u></u>     |

## AMRET CO., LTD

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

#### 7. GRANTS RECEIVABLE

The details of grants receivable are as follows:

|                                       | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|---------------------------------------|---------------------------------|---------------------------------|
| Agence Francaise de Development (AFD) | -                               | 124,565                         |
| CGAP                                  | -                               | 24,696                          |
|                                       | <u>-</u>                        | <u>149,261</u>                  |

AFD's grant for technical assistance consists of local training to strengthen the MFI's management information system and human resource development.

Amret must submit quarterly reports. All requests for payments must be supported by a copy of bills or invoices to be sent to the Project Coordinator of Project d' Appui au Secteur de la Microfinance ("PASMf") who will then pass to the Ministry of Economic and Finance and AFD to process payment.

#### 8. OTHER ASSETS

|   | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|---|---------------------------------|---------------------------------|
| Accrued interest income                 | 1,487,160                       | 940,341                         |
| Prepaid guarantee charged on borrowings | 319,269                         | 308,000                         |
| Prepaid commission fees on borrowings   | 605,616                         | 477,751                         |
| Advances to staff                       | 106,058                         | 62,883                          |
| Prepaid rent                            | 215,534                         | 78,099                          |
| Withholding tax on committee commission | 107,366                         | 51,710                          |
| Prepaid insurance                       | 116,674                         | 5,602                           |
| Deposits                                | 1,993                           | 564                             |
| Others                                  | 92,497                          | -                               |
|   | <u>3,052,167</u>                | <u>1,924,950</u>                |

**AMRET CO., LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006****9. DEFERRED TAX ASSETS**

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 20% (2004: 20%).

The movement in the deferred income tax accounts is as follows:

|  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--|---------------------------------|---------------------------------|
| At beginning of year                     | 172,882                         | 98,752                          |
| Credit to income statement (see note 27) | <u>115,859</u>                  | <u>74,130</u>                   |
| At end of year                           | <u><u>288,741</u></u>           | <u><u>172,882</u></u>           |

The movement in deferred tax assets during the year is as follows:

| Deferred tax assets                              | <b>Provision for<br/>retirement<br/>benefits<br/>Riel'000</b> | <b>Unrealised<br/>losses on<br/>exchange<br/>Riel'000</b> | <b>Total<br/>Riel'000</b> |
|--|---|---|---------------------------|
| <b>2005</b>                                      |   |   |                           |
| At beginning of year                             | 91,770  | 6,982   | 98,752                    |
| Credited to net profit during the year           | <u>65,867</u>   | <u>8,263</u>  | <u>74,130</u>             |
| As at 31 December 2005                           | <u>157,637</u>  | <u>15,245</u>   | <u>172,882</u>            |
| <b>2006</b>                                      |   |   |                           |
| At beginning of year                             | 157,637   | 15,245  | 172,882                   |
| Credited/(debited) to net profit during the year | <u>120,987</u>  | <u>(5,128)</u>  | <u>115,859</u>            |
| As at 31 December 2006                           | <u><u>278,624</u></u>   | <u><u>10,117</u></u>                                      | <u><u>288,741</u></u>     |

**AMRET CO., LTD**

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

**10. INTANGIBLE ASSETS**

|                                    | <b>ACCPAC<br/>license<br/>Riel '000</b> | <b>MicroBanker<br/>license<br/>Riel '000</b> | <b>Total<br/>Riel '000</b> |
|------------------------------------|---|--|----------------------------|
| <b>Year ended 31 December 2005</b> |   |  |                            |
| Opening net book value             | 18,718                                  | -  | 18,718                     |
| Additions                          | -                                       | 113,487                                      | 113,487                    |
| Charge for the year                | (9,359)                                 | (12,173)                                     | (21,532)                   |
| Closing net book value             | <u>9,359</u>                            | <u>101,314</u>                               | <u>110,673</u>             |
| <b>As at 31 December 2005</b>      |   |  |                            |
| Cost                               | 22,461                                  | 113,487                                      | 135,948                    |
| Accumulated depreciation           | (13,102)                                | (12,173)                                     | (25,275)                   |
| Net book value                     | <u>9,359</u>                            | <u>101,314</u>                               | <u>110,673</u>             |
| <b>As at 1 January 2006</b>        |   |  |                            |
| Cost                               | 22,461                                  | 113,487                                      | 135,948                    |
| Accumulated depreciation           | (13,102)                                | (12,173)                                     | (25,275)                   |
| Net book value                     | <u>9,359</u>                            | <u>101,314</u>                               | <u>110,673</u>             |
| <b>Year ended 31 December 2006</b> |   |  |                            |
| Opening net book value             | 9,359                                   | 101,314                                      | 110,673                    |
| Additions                          | -                                       | 70,611                                       | 70,611                     |
| Charge for the year                | (4,680)                                 | (70,463)                                     | (75,143)                   |
| Closing net book value             | <u>4,679</u>                            | <u>101,462</u>                               | <u>106,141</u>             |
| <b>As at 31 December 2006</b>      |   |  |                            |
| Cost                               | 22,461                                  | 184,098                                      | 206,559                    |
| Accumulated depreciation           | (17,782)                                | (82,636)                                     | (100,418)                  |
| Net book value                     | <u>4,679</u>                            | <u>101,462</u>                               | <u>106,141</u>             |

**AMRET CO., LTD**

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

**11. PROPERTY AND EQUIPMENT**

|                                    | <b>Office<br/>improvements<br/>Riel '000</b> | <b>Office<br/>equipment<br/>Riel '000</b> | <b>Office<br/>furniture<br/>Riel '000</b> | <b>Motor<br/>vehicles<br/>Riel '000</b> | <b>Total<br/>Riel '000</b> |
|------------------------------------|--|---|---|---|----------------------------|
| <b>As at 1 January 2006</b>        |  |   |   |   |                            |
| Cost                               | 158,080                                      | 584,511                                   | 108,678                                   | 1,036,077                               | 1,887,346                  |
| Accumulated depreciation           | (6,712)                                      | (362,072)                                 | (20,117)                                  | (623,069)                               | (1,011,970)                |
| Net book value                     | <u>151,368</u>                               | <u>222,439</u>                            | <u>88,561</u>                             | <u>413,008</u>                          | <u>875,376</u>             |
| <b>Year ended 31 December 2006</b> |  |   |   |   |                            |
| Opening net book value             | 151,368                                      | 222,439                                   | 88,561                                    | 413,008                                 | 875,376                    |
| Additions                          | 113,748                                      | 174,856                                   | 23,009                                    | 280,382                                 | 591,995                    |
| Disposal net book value            | -  | -   | -   | (3,999)                                 | (3,999)                    |
| Charge for the year                | (11,431)                                     | (164,884)                                 | (24,818)                                  | (147,526)                               | (348,659)                  |
| Closing net book value             | <u>253,685</u>                               | <u>232,411</u>                            | <u>86,752</u>                             | <u>541,865</u>                          | <u>1,114,713</u>           |
| <b>As at 31 December 2006</b>      |  |   |   |   |                            |
| Cost                               | 273,660                                      | 755,465                                   | 131,687                                   | 1,190,363                               | 2,351,175                  |
| Accumulated depreciation           | (19,975)                                     | (523,054)                                 | (44,935)                                  | (648,498)                               | (1,236,462)                |
| Net book value                     | <u>253,685</u>                               | <u>232,411</u>                            | <u>86,752</u>                             | <u>541,865</u>                          | <u>1,114,713</u>           |

**AMRET CO., LTD**

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

**11. PROPERTY AND EQUIPMENT (continued)**

|                                    | <b>Office<br/>improvements<br/>Riel '000</b> | <b>Office<br/>equipment<br/>Riel '000</b> | <b>Office<br/>furniture<br/>Riel '000</b> | <b>Motor<br/>vehicles<br/>Riel '000</b> | <b>Total<br/>Riel '000</b> |
|------------------------------------|--|---|---|---|----------------------------|
| <b>As at 1 January 2005</b>        |  |   |   |   |                            |
| Cost                               | 42,990                                       | 373,926                                   | 23,563                                    | 752,869                                 | 1,193,348                  |
| Accumulated depreciation           | (2,066)                                      | (273,919)                                 | (7,501)                                   | (553,564)                               | (837,050)                  |
| Net book value                     | <u>40,924</u>                                | <u>100,007</u>                            | <u>16,062</u>                             | <u>199,305</u>                          | <u>356,298</u>             |
| <b>Year ended 31 December 2005</b> |  |   |   |   |                            |
| Opening net book value             | 40,924                                       | 100,007                                   | 16,062                                    | 199,305                                 | 356,298                    |
| Additions                          | 115,090                                      | 210,585                                   | 85,115                                    | 283,208                                 | 693,998                    |
| Charge for the year                | (4,646)                                      | (88,153)                                  | (12,616)                                  | (69,505)                                | (174,920)                  |
| Closing net book value             | <u>151,368</u>                               | <u>222,439</u>                            | <u>88,561</u>                             | <u>413,008</u>                          | <u>875,376</u>             |
| <b>As at 31 December 2005</b>      |  |   |   |   |                            |
| Cost                               | 158,080                                      | 584,511                                   | 108,678                                   | 1,036,077                               | 1,887,346                  |
| Accumulated depreciation           | (6,712)                                      | (362,072)                                 | (20,117)                                  | (623,069)                               | (1,011,970)                |
| Net book value                     | <u>151,368</u>                               | <u>222,439</u>                            | <u>88,561</u>                             | <u>413,008</u>                          | <u>875,376</u>             |

**AMRET CO., LTD**

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

**12. CUSTOMERS' DEPOSITS**

|                         | <b>2006</b>             | <b>2005</b>           |
|-------------------------|-------------------------|-----------------------|
|                         | <b>Riel '000</b>        | <b>Riel '000</b>      |
| Certificate of deposits | <u>1,337,715</u>        | <u>772,944</u>        |
|                         | <u><u>1,337,715</u></u> | <u><u>772,944</u></u> |

Amret encourages borrowers to establish savings accounts on a voluntary basis.

| <b>Tenure</b> | <b>Interest rates</b> |      |
|---------------|-----------------------|------|
|               | <b>(per annum)</b>    |      |
|               | Riel                  | US\$ |
| 3 months      | 7%                    | 6%   |
| 6 months      | 8%                    | 7%   |
| 12 months     | 9%                    | 8%   |
| 24 months     | 10%                   | 8.5% |

**13. BORROWINGS**

|   |             | <b>2006</b>              | <b>2005</b>              |
|---|-------------|--------------------------|--------------------------|
|   | <b>Note</b> | <b>Riel '000</b>         | <b>Riel '000</b>         |
| Rural Development Bank ("RDB")                        | 1           | 1,000,000                | 3,000,000                |
| Central Bank  | 2           | 19,520,000               | 10,520,000               |
| Dexia Bank  | 3           | 2,267,800                | 2,276,120                |
| Triodos Doen  | 4           | 2,058,000                | 1,999,250                |
| Hivos-Triodos Fond                                    | 5           | 6,200,000                | 2,000,000                |
| Sicav Nord-Sud Developpement                          | 6           | 2,058,000                | 2,005,250                |
| Calvert Foundation                                    | 7           | 2,058,600                | 800,400                  |
| Microfinance Alliance Fund (MAF)                      | 8           | 1,526,300                | 2,063,000                |
| Credit Suisse Microfinance Fund Management            |             | -                        | 800,000                  |
| Financierings - Maatschappij (FMO)                    | 9           | 4,057,000                | -                        |
| Investisseur & Partenaire pour le Developpement (I&P) | 10          | 3,137,240                | 1,965,780                |
| Oikocredit  | 11          | 9,593,326                | 5,200,000                |
| Opec fund for international development               | 12          | 6,174,000                | 6,148,500                |
| Monarch Community Fund                                | 13          | 2,030,500                | -                        |
| Unrealised (gains)/losses on foreign exchange         |             | <u>(199,850)</u>         | <u>170,680</u>           |
|   |             | <u><u>61,480,916</u></u> | <u><u>38,948,980</u></u> |

**AMRET CO., LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006****13. BORROWINGS** (continued)1) *Rural Development Bank ("RDB")*

| Credit limit in original currency | Repayment terms   |
|-----------------------------------|---|
| Riel 1,000,000,000                | The outstanding loan balance of Riel 1,000,000,000 will be paid in full on 26 May 2007. |

This loan is unsecured and obtained from Rural Development Bank.

2) *Central Bank*

| Credit limit in original currency | Repayment terms                                   |
|-----------------------------------|---|
| Riel 1,600,000,000                | This loan will be paid in full on 26 January 2007 |
| Riel 1,320,000,000                | This loan will be paid in full on 9 February 2007 |
| Riel 1,600,000,000                | This loan will be paid in full on 29 March 2007   |
| Riel 1,500,000,000                | This loan will be paid in full on 25 April 2007.  |
| Riel 2,000,000,000                | This loan will be paid in full on 1 May 2007      |
| Riel 2,000,000,000                | This loan will be paid in full on 8 May 2007.     |
| Riel 2,500,000,000                | This loan will be paid in full on 4 June 2007     |
| Riel 4,000,000,000                | This loan will be paid in full on 14 June 2007.   |
| Riel 3,000,000,000                | This loan will be paid in full on 15 June 2007    |
|                                   |   |
| Total Riel 19,520,000,000         |   |

This is a secured loan obtained from central bank with a 6 month-guarantee deposit of US\$ 1,880,000 (equivalent to Riel 7,634,680) (see Note 5) and a guarantee from AFD amounting to EUR3,000,000 (equivalent to Riel 15,919,260,000).

3) *Dexia Bank*

| Credit limit in original currency              | Repayment terms  |
|--|--|
| US\$550,000 (equivalent to Riel 2,267,800,000) | The principal of US\$220,000 and US\$330,000 will be paid in full on 12 April 2007 and 12 August 2007, respectively. |

This loan is unsecured.

4) *Triodos Doen*

| Credit limit in original currency              | Repayment terms                                   |
|--|---|
| US\$500,000 (equivalent to Riel 2,058,000,000) | This loan will be paid in full on 1 January 2009. |

This loan is unsecured.

**AMRET CO., LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006****13. BORROWINGS** (continued)5) *Hivos-Triodos Fond*

| Credit limit in original currency | Repayment terms  |
|-----------------------------------|--|
| Riel 6,200,000,000                | This loan will be paid based on three equal instalments commence from 11 August 2007, 1 July 2008 and 1 July 2009. |

This loan is unsecured.

6) *Sicav Nord-Sud Developpement*

| Credit limit in original currency              | Repayment terms                                  |
|--|--|
| US\$500,000 (equivalent to Riel 2,058,000,000) | This loan will be paid in full in December 2007. |

This loan is unsecured.

7) *Calvert Foundation*

| Credit limit in original currency              | Repayment terms                                  |
|--|--|
| US\$500,000 (equivalent to Riel 2,058,000,000) | The loan will be repaid in full on 31 July 2009. |

This loan is unsecured.

8) *Microfinance Alliance Fund*

| Credit limit in original currency | Repayment terms  |
|-----------------------------------|--|
| Riel 1,233,000,000                | The loan will be repaid in six equal instalments on quarterly basis, starting on 1 March 2007 and will be finished by 24 May 2008.             |
| Riel 293,300,000                  | This loan will be repaid in seven equal instalments on quarterly basis, starting from 24 March 2007 and will be finished by 14 September 2008. |
| Total Riel 1,526,300,000          |  |

This loan is unsecured.

**AMRET CO., LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006****13. BORROWINGS** (continued)9) *Financierings - Maatschappij (FMO)*

| Credit limit in original currency   | Repayment terms   |
|---|---|
| The total loan amount is Riel 12,183,000,000. The company partially dawn down of Riel 4,057,000,000 as of 31 December 2006. | The loan shall be repaid in 6 equal semi-annual instalments after fully disbursed by FMO. The first repayment shall be repaid on 1 April 2009, and subsequent repayments shall be repaid at six-monthly intervals on 1 April/ 1 October from the date. The final repayment shall be repaid on 1 October 2011. |

This loan is unsecured.

10) *Investisseur & Partenaire pour le Developpement (I&P)*

| Credit limit in original currency | Repayment terms  |
|-----------------------------------|--|
| Riel 479,640,000                  | The loan will be repaid in March 2007.   |
| Riel 805,200,000                  | The loan will be repaid in two instalments amounting to Riel 402,600,000 and Riel 402,600,000 in March 2007 and March 2008 respectively.                               |
| Riel 815,400,000                  | The loan will be paid in three instalments amounting to Riel 163,080,000, Riel 320,000,000 and Riel 332,320,000 in March 2007, March 2008 and March 2009 respectively. |
| Riel 1,037,000,000                | This loan will be paid in full in one instalments in March 2007.   |
| Total Riel 3,137,240,000          |  |

These loans are unsecured.

11) *Oikocredit*

| Credit limit in original currency             | Repayment terms  |
|---|--|
| Riel 5,200,000,000                            | The loan will be repaid in two equal instalments in May and November 2008.   |
| EUR833,332 (equivalent to Riel 4,393,326,304) | The principal of the loan will be repaid in eight equal instalments on semi-annual basis. The first payment shall be made in March 2008. |
| Riel 9,593,326,000                            |  |

This loan is unsecured.

## AMRET CO., LTD

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

#### 13. BORROWINGS (continued)

##### 12) *Opec fund for international development.*

| Credit limit in original currency                      | Repayment terms   |
|--|---|
| US\$1,500,000<br>(equivalent to Riel<br>6,174,000,000) | This loan will be repaid in nine equal instalments on semi-annually basis starting from 1 April 2007. |

##### 13) *Monarch Community Fund*

| Credit limit in original currency               | Repayment terms                                       |
|---|---|
| US\$ 500,000 (equivalent to Riel 2,030,500,000) | This loan will be repaid in full on 29 December 2009. |

##### *Interest rate*

Annual average interest rates including withholding tax are as follows:

|      | <u>2006</u> | <u>2005</u> |
|------|-------------|-------------|
| Riel | 10.64%      | 12.00%      |
| US\$ | 8.12%       | 6.30%       |

#### 14. SUBORDINATED DEBT

The subordinated debt resulted from the transfer of the Project's credit fund, liabilities and reserves which granted by AFD as at 30 June 2000 to Amret. The terms and conditions the subordinated debt agreement dated 27 December 2000 between the Ministry of Economy and Finance ("MoEF") and Amret are:

- i. The subordinated debt will not be repayable to the MoEF unless Amret ceases to provide credit to the rural population of Cambodia or unless it decides to repay all or part of the debt.
- ii. The debt is a non-distributable fund; and
- iii. The debt is considered as "Tier II Capital" in the context of Prakas No. B 700-006 issued by the Central Bank, and shall be included in computing Amret's capital adequacy ratio.

Amret pays an annual management fee of 0.5% of the subordinated debt on a pro-rata basis.

**AMRET CO., LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006****15. PROVISION FOR RETIREMENT BENEFITS**

|                                  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|----------------------------------|---------------------------------|---------------------------------|
| Balance at beginning of the year | 788,181                         | 458,850                         |
| Additions during the year        | 636,190                         | 349,218                         |
| Distribution to employees        | <u>(31,222)</u>                 | <u>(19,887)</u>                 |
| Balance at end of the year       | <u>1,393,149</u>                | <u>788,181</u>                  |

**16. DEFERRED GRANT INCOME**

This account represents the unamortized part of the grant subsidy received from Microfinance Alliance Fund and CGAP for management information systems.

**17. CURRENT INCOME TAX LIABILITIES**

|  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--|---------------------------------|---------------------------------|
| Balance at the beginning of the year       | 897,656                         | 582,970                         |
| Income tax paid                            | (1,144,048)                     | (753,626)                       |
| Current financial year income tax expenses | <u>1,467,380</u>                | <u>1,049,065</u>                |
|  | <u>1,220,988</u>                | <u>878,409</u>                  |

**18. ACCRUALS AND OTHER LIABILITIES**

|                                | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--------------------------------|---------------------------------|---------------------------------|
| Accrued expenses               |                                 |                                 |
| Commission to Credit Committee | 1,216,115                       | 908,403                         |
| Bonus/incentives               | 654,290                         | 421,113                         |
| Interest                       | 490,589                         | 318,877                         |
| Audit fees                     | 46,894                          | 52,000                          |
| Accrued taxes                  |                                 |                                 |
| Withholding tax                | 106,885                         | 65,735                          |
| Salary tax                     | 10,240                          | 7,514                           |
| Payable to staff association   | 299,388                         | 3,604                           |
| Others                         | <u>121,655</u>                  | <u>186,471</u>                  |
|                                | <u>2,946,056</u>                | <u>1,960,113</u>                |

## AMRET CO., LTD

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

#### 19. SHARE CAPITAL

The total authorised numbers of share capital is 5,633 shares (2005: 5,633 shares) with a par value of Riel 200,000 per share (2005: Riel 200,000). All authorised numbers of shares have been issued and fully paid up.

The details of shareholding are as follows:

|   | <b>31 December 2006</b> |                    | <b>31 December 2005</b> |                    |
|---|-------------------------|--------------------|-------------------------|--------------------|
|   | Number of<br>shares     | Amount<br>Riel'000 | Number of<br>shares     | Amount<br>Riel'000 |
| Groupe de Recherche et d'<br>Echanges Technologiques ("GRET")                   | 2,673                   | 534,600            | 2,673                   | 534,600            |
| SIDI  | 1,062                   | 212,400            | 1,062                   | 212,400            |
| La Fayette participations<br>Investisseur & Partenaire pour le<br>Developpement | 817                     | 163,400            | 1,098                   | 219,600            |
| La Fayette Investissement SA  | 800                     | 160,000            | 800                     | 160,000            |
|   | 281                     | 56,200             | -                       | -                  |
|   | <u>5,633</u>            | <u>1,126,600</u>   | <u>5,633</u>            | <u>1,126,600</u>   |

Each ordinary share has one vote and participates equally in all dividends and other distributions of Amret.

#### 20. SHARE PREMIUM

On 19 June 2003, Amret issued 1,166 new shares. The BOD agreed a price, on that date, of a new share is Riel 559,475 while the par value of the share is Riel 200,000. The difference in agreed price and par value of the shares is recognised as share premium.

#### 21. CASH AND CASH EQUIVALENTS

|  | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--|---------------------------------|---------------------------------|
| Cash in hand (see note 3)                      | 1,917,657                       | 805,415                         |
| Balances with banks (see note 4)               | 6,514,302                       | 1,124,851                       |
| Current account with Central Bank (see note 5) | 461,420                         | 48,867                          |
|  | <u>8,893,379</u>                | <u>1,979,133</u>                |

**AMRET CO., LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006****22. INTEREST INCOME**

|                     | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|---------------------|---------------------------------|---------------------------------|
| Solidarity credit   | 18,459,188                      | 13,787,655                      |
| Individual credit   | 4,950,017                       | 2,121,059                       |
| Balances with banks | 342,085                         | 253,076                         |
|                     | <u>23,751,290</u>               | <u>16,161,790</u>               |

**23. INTEREST EXPENSES**

|                                      | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--------------------------------------|---------------------------------|---------------------------------|
| Borrowings:                          |                                 |                                 |
| RDB                                  | 233,103                         | 311,399                         |
| Dexia Bank and Credit Suisse         | 323,345                         | 307,490                         |
| Microfinance Alliance Fund           | 244,231                         | 118,474                         |
| Triodos Doen and Hivos-Triodos Funds | 830,769                         | 341,153                         |
| Central bank                         | 898,570                         | 500,719                         |
| Canadia Bank                         | -                               | 83,850                          |
| Calvert Foundation                   | 88,764                          | 43,287                          |
| Sicav Nord-Sud Developpement         | 158,731                         | 135,100                         |
| I&P (shareholder)                    | 339,007                         | 268,298                         |
| Oikocredit                           | 754,366                         | 225,746                         |
| Opec                                 | 523,522                         | 288,115                         |
| Customers' deposits                  | 70,676                          | 89,193                          |
| Subordinated debt fees and interest  | 20,165                          | 20,165                          |
|                                      | <u>4,485,249</u>                | <u>2,732,989</u>                |

**24. FEE AND COMMISSION EXPENSE**

|   | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|---|---------------------------------|---------------------------------|
| Credit committee                                | 1,800,285                       | 1,318,987                       |
| Commission/administration charged on borrowings | 656,886                         | 185,500                         |
|   | <u>2,457,171</u>                | <u>1,504,487</u>                |

As compensation and to facilitate the collection of interest and principal amount for solidarity credit, Amret pays the Credit Committee commission:

**AMRET CO., LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006****24. FEE AND COMMISSION EXPENSE (continued)**

| <b>Commission</b>   | <b>2006</b> | <b>2005</b> |
|---------------------|-------------|-------------|
| First cycle         | 11.76%      | 11.76%      |
| Second cycle onward | 9.41%       | 9.41%       |

This commission includes withholding tax and is paid based on interest collection.

**25. GRANT INCOME**

|                       | <b>2006</b>      | <b>2005</b>      |
|-----------------------|------------------|------------------|
|                       | <b>Riel '000</b> | <b>Riel '000</b> |
| Training              | -                | 51,499           |
| Operations-related    | -                | 234,975          |
| Computer depreciation | 5,530            | 31,305           |
|                       | <u>5,530</u>     | <u>317,779</u>   |

During the year, Amret received grant income from various donors (AFD, GRET, SIDI, and CGAP) to support its activities such as operation training, management information system, and micro finance rating.

**26. OPERATING AND OTHER EXPENSES**

|                                  | <b>2006</b>       | <b>2005</b>      |
|----------------------------------|-------------------|------------------|
|                                  | <b>Riel '000</b>  | <b>Riel '000</b> |
| Salaries and staff benefits      | 5,589,853         | 4,042,778        |
| Transportation                   | 557,407           | 368,146          |
| Office rental and utilities      | 494,686           | 347,198          |
| Maintenance                      | 103,586           | 99,367           |
| Depreciation                     | 423,803           | 196,451          |
| Training                         | 172,222           | 78,689           |
| Office supplies                  | 442,269           | 328,028          |
| Consultants and professional fee | 758,024           | 535,351          |
| Meals                            | 446,375           | 250,903          |
| Printing                         | 98,047            | 218,190          |
| Gasoline                         | 203,096           | 142,590          |
| Communication                    | 103,545           | 70,664           |
| Loss on foreign exchange, net    | 8,204             | 81,368           |
| BoD mission                      | 76,965            | 92,554           |
| Others                           | 730,844           | 527,687          |
|                                  | <u>10,208,926</u> | <u>7,379,964</u> |

**AMRET CO., LTD**

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

**27. INCOME TAX EXPENSE**

|                                      | <b>2006</b><br><b>Riel '000</b> | <b>2005</b><br><b>Riel '000</b> |
|--------------------------------------|---------------------------------|---------------------------------|
| Current                              | 1,467,380                       | 1,049,065                       |
| Deferred tax assets (see note 9)     | <u>(115,859)</u>                | <u>(74,130)</u>                 |
|                                      | 1,351,521                       | 974,935                         |
| Prior year tax under (over) provided | <u>(7,349)</u>                  | <u>18,176</u>                   |
|                                      | <u><u>1,344,172</u></u>         | <u><u>993,111</u></u>           |

Current income tax is computed as follows:

|   |                  |                  |
|---|------------------|------------------|
| Income before income tax                                      | <u>6,757,607</u> | <u>4,839,764</u> |
| Tax calculation at a rate of 20% (2005: 20%)                  | 1,351,521        | 967,953          |
| Expenses not deductible for tax purpose                       | -                | -                |
| Unrealised loss on foreign exchange<br>previously reorganised | -                | 6,982            |
| Tax charged   | <u>1,351,521</u> | <u>974,935</u>   |

**28. CASH USED IN OPERATION**

|  | <b>Note</b> | <b>2006</b><br><b>Riel'000</b> | <b>2005</b><br><b>Riel'000</b> |
|--|-------------|--------------------------------|--------------------------------|
| <b>OPERATING ACTIVITIES</b>  |             |                                |                                |
| Profit before income tax   |             | 6,757,607                      | 4,839,764                      |
| Adjustments for:   |             |                                |                                |
| Provision for retirement benefits                                      |             | 604,968                        | 329,331                        |
| Depreciation & amortisation  | 10&11       | 423,802                        | 196,451                        |
| Unrealised losses on foreign exchange                                  |             | (199,850)                      | 76,229                         |
| Provision for bad and doubtful loans                                   | 6           | (6,259)                        | 101,170                        |
| Loss on disposal of property<br>and equipment                          |             | <u>(50,962)</u>                | <u>-</u>                       |
| Operating income before changes in operating<br>assets and liabilities |             | 7,529,306                      | 5,542,945                      |
| Changes in operating assets and liabilities:                           |             |                                |                                |
| Increase in loans and advances<br>to customers                         |             | (24,780,212)                   | (15,176,391)                   |
| Increase in deferred tax assets  |             | (115,859)                      | (74,130)                       |
| Decrease/(increase) in grants receivable                               |             | 149,261                        | (106,230)                      |
| Increase in other assets   |             | (1,127,217)                    | (1,014,327)                    |
| Increase in customers' deposits  |             | 564,771                        | 48,241                         |
| Decrease in deferred grant income                                      |             | (5,530)                        | (10,718)                       |
| Increase in accruals and other liabilities                             |             | <u>1,128,399</u>               | <u>612,619</u>                 |
| <b>Net cash used in operations</b>                                     |             | <u><u>(16,657,081)</u></u>     | <u><u>(10,177,991)</u></u>     |

## AMRET CO., LTD

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

#### 29. DIVIDENDS PER SHARE

At the annual ordinary meeting on 29 June 2006, a dividend in respect of 2005 of Riel 102,432 per share was declared and subsequently paid in August 2006. This is equivalent to Riel 577,000,000 (approximately 15% of last year's net profits).

|                                    | <b>2006</b>     | <b>2005</b>     |
|------------------------------------|-----------------|-----------------|
|                                    | <b>Riel'000</b> | <b>Riel'000</b> |
| Gross dividend                     | 577,000         | 423,265         |
| Withholding tax                    | <u>(80,780)</u> | <u>(59,257)</u> |
| Net dividends paid to shareholders | <u>496,220</u>  | <u>364,008</u>  |

#### 30. FAIR VALUES OF ASSETS AND LIABILITIES

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

**AMRET CO., LTD**

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

**31. CURRENCY ANALYSIS (RIEL'000)**

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

**31 December 2006**

|                                       | <u>US\$</u>       | <u>Riel</u>       | <u>Total</u>      |
|---------------------------------------|-------------------|-------------------|-------------------|
| <i>31 December 2006</i>               |                   |                   |                   |
| <b>ASSETS</b>                         |                   |                   |                   |
| Cash in hand                          | 384,861           | 1,532,796         | 1,917,657         |
| Balances with banks                   | 2,255,165         | 4,259,137         | 6,514,302         |
| Balances with Central bank            | 7,727,561         | 489,234           | 8,216,795         |
| Loans and advance to customers        | 6,966,513         | 63,976,564        | 70,943,077        |
| Other assets                          | 291,851           | 2,760,316         | 3,052,167         |
| Total financial assets                | <u>17,625,951</u> | <u>73,018,047</u> | <u>90,643,998</u> |
| <b>LIABILITIES</b>                    |                   |                   |                   |
| Customers' deposits                   | 966,834           | 370,881           | 1,337,715         |
| Borrowings                            | 16,447,050        | 45,033,866        | 61,480,916        |
| Subordinated debt                     | -                 | 4,032,971         | 4,032,971         |
| Deferred grant income                 | -                 | 12,198            | 12,198            |
| Accruals and other liabilities        | 21,456            | 2,924,600         | 2,946,056         |
| Total financial liabilities           | <u>17,435,340</u> | <u>52,374,516</u> | <u>69,809,856</u> |
| <b>Net asset (liability) position</b> | <u>190,611</u>    | <u>20,643,531</u> | <u>20,834,142</u> |

**31 December 2005**

|                                       | <u>US\$</u>        | <u>Riel</u>       | <u>Total</u>      |
|---------------------------------------|--------------------|-------------------|-------------------|
| <i>31 December 2005</i>               |                    |                   |                   |
| <b>ASSETS</b>                         |                    |                   |                   |
| Cash in hand                          | 42,990             | 762,425           | 805,415           |
| Balances with banks                   | 465,460            | 659,391           | 1,124,851         |
| Balances with Central bank            | 10,855,040         | 117,437           | 10,972,477        |
| Loans and advance to customers        | 347,440            | 45,809,166        | 46,156,606        |
| Grants receivable                     | 149,261            | -                 | 149,261           |
| Other assets                          | 164,989            | 1,759,961         | 1,924,950         |
| Total financial assets                | <u>12,025,180</u>  | <u>49,108,380</u> | <u>61,133,560</u> |
| <b>LIABILITIES</b>                    |                    |                   |                   |
| Customers' deposits                   | 143,980            | 628,964           | 772,944           |
| Borrowings                            | 14,200,200         | 24,748,780        | 38,948,980        |
| Subordinated debt                     | -                  | 4,032,971         | 4,032,971         |
| Deferred grant income                 | -                  | 17,728            | 17,728            |
| Accruals and other liabilities        | 52,000             | 1,908,113         | 1,960,113         |
| Total financial liabilities           | <u>14,396,180</u>  | <u>31,336,556</u> | <u>45,732,736</u> |
| <b>Net asset (liability) position</b> | <u>(2,370,000)</u> | <u>17,771,824</u> | <u>15,401,824</u> |

**AMRET CO., LTD**

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

**32. MATURITY PROFILE**

The maturity profile of assets and liabilities (in Riel' 000) are as follows:

**31 December 2006**

| <i>31 December 2006</i>            | <b>Total</b>      | <b>Less than<br/>1 month</b> | <b>From 1<br/>month to<br/>3 months</b> | <b>From<br/>3 months<br/>to 1 year</b> | <b>From<br/>1 year to<br/>5 years</b> | <b>Over<br/>5 years</b> | <b>No fixed<br/>maturity<br/>date</b> |
|------------------------------------|-------------------|------------------------------|---|--|---------------------------------------|-------------------------|---------------------------------------|
| <b>ASSETS</b>                      |                   |                              |   |  |                                       |                         |                                       |
| Cash in hand                       | 1,917,657         | 1,917,657                    | -                                       | -                                      | -                                     | -                       | -                                     |
| Balances with banks                | 6,514,302         | 6,514,302                    | -                                       | -                                      | -                                     | -                       | -                                     |
| Balances with central bank         | 8,216,795         | 461,420                      | -                                       | 7,634,680                              | -                                     | -                       | 120,695                               |
| Loans and advances to customers    | 70,943,077        | 4,523,529                    | 6,802,293                               | 56,354,797                             | 3,262,458                             | -                       | -                                     |
| Other assets                       | 3,052,167         | 1,432,120                    | 278,722                                 | 361,779                                | 977,553                               | -                       | 1,993                                 |
| <b>Total financial assets</b>      | <b>90,643,998</b> | <b>14,849,028</b>            | <b>7,081,015</b>                        | <b>64,351,256</b>                      | <b>4,240,011</b>                      | <b>-</b>                | <b>122,688</b>                        |
| <b>LIABILITIES</b>                 |                   |                              |   |  |                                       |                         |                                       |
| Customers' deposits                | 1,337,715         | -                            | 381,350                                 | 944,665                                | 11,700                                | -                       | -                                     |
| Borrowings                         | 61,480,916        | -                            | 2,326,640                               | 11,529,419                             | 47,624,857                            | -                       | -                                     |
| Subordinated debt                  | 4,032,971         | -                            | -                                       | -                                      | -                                     | -                       | 4,032,971                             |
| Deferred grant income              | 2,946,056         | 26,768                       | 1,343,564                               | 1,540,780                              | -                                     | -                       | 34,944                                |
| Accruals and other liabilities     | 61,480,916        | -                            | 2,326,640                               | 11,529,419                             | 47,624,857                            | -                       | -                                     |
| <b>Total financial liabilities</b> | <b>69,809,856</b> | <b>26,768</b>                | <b>4,052,199</b>                        | <b>14,016,799</b>                      | <b>47,646,175</b>                     | <b>-</b>                | <b>4,067,915</b>                      |
| <b>Net liquidity surplus/(gap)</b> | <b>20,834,142</b> | <b>14,822,260</b>            | <b>3,028,816</b>                        | <b>50,334,457</b>                      | <b>(43,406,164)</b>                   | <b>-</b>                | <b>(3,945,227)</b>                    |

**AMRET**

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

**32. MATURITY PROFILE (continued)**

**31 December 2005**

|                                    | Total             | Less than<br>1 month | From 1<br>month to<br>3 months | From<br>3 months<br>to 1 year | From<br>1 year to<br>5 years | Over<br>5 years    | No fixed<br>maturity<br>date |
|------------------------------------|-------------------|----------------------|--------------------------------|-------------------------------|------------------------------|--------------------|------------------------------|
| <i>31 December 2005</i>            |                   |                      |                                |                               |                              |                    |                              |
| <b>ASSETS</b>                      |                   |                      |                                |                               |                              |                    |                              |
| Cash in hand                       | 805,415           | 805,415              | -                              | -                             | -                            | -                  | -                            |
| Balances with banks                | 1,124,851         | 1,124,851            | -                              | -                             | -                            | -                  | -                            |
| Balances with central bank         | 10,972,477        | 48,867               | -                              | 780,000                       | 10,045,080                   | -                  | 98,530                       |
| Loans and advances to customers    | 46,156,606        | 2,870,018            | 14,145,259                     | 28,050,977                    | 1,090,352                    | -                  | -                            |
| Grants receivable                  | 149,261           | -                    | -                              | 149,261                       | -                            | -                  | -                            |
| Other assets                       | 1,924,950         | 995,378              | 97,366                         | 277,547                       | 554,095                      | -                  | 564                          |
| <b>Total financial assets</b>      | <b>59,133,560</b> | <b>5,844,529</b>     | <b>14,242,625</b>              | <b>29,257,785</b>             | <b>11,689,527</b>            | <b>-</b>           | <b>99,094</b>                |
| <b>LIABILITIES</b>                 |                   |                      |                                |                               |                              |                    |                              |
| Customers' deposits                | 772,944           | -                    | 52,644                         | 720,300                       | -                            | -                  | -                            |
| Borrowings                         | 38,948,980        | -                    | 679,640                        | 6,159,900                     | 25,935,440                   | 6,174,000          | -                            |
| Subordinated debt                  | 4,032,971         | -                    | -                              | -                             | -                            | -                  | 4,032,971                    |
| Deferred grant income              | 17,728            | -                    | -                              | -                             | 17,728                       | -                  | -                            |
| Accruals and other liabilities     | 1,960,113         | 323,156              | 767,405                        | 849,668                       | -                            | -                  | 19,884                       |
| <b>Total financial liabilities</b> | <b>45,732,736</b> | <b>323,156</b>       | <b>1,499,689</b>               | <b>7,729,868</b>              | <b>25,953,168</b>            | <b>6,174,000</b>   | <b>4,052,855</b>             |
| <b>Net liquidity surplus/(gap)</b> | <b>13,400,824</b> | <b>5,521,373</b>     | <b>12,742,936</b>              | <b>21,527,917</b>             | <b>(14,263,641)</b>          | <b>(6,174,000)</b> | <b>(3,953,761)</b>           |

## AMRET CO., LTD

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

#### 33. LEASE COMMITMENTS

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

|   | <u>2006</u><br>Riel '000 | <u>2005</u><br>Riel '000 |
|---|--------------------------|--------------------------|
| Not more than one year                          | 222,665                  | 235,654                  |
| More than one year and not more than five years | <u>46,559</u>            | <u>103,195</u>           |
|   | <u>269,224</u>           | <u>338,849</u>           |

#### 34. RELATED PARTIES TRANSACTIONS AND BALANCES

A number of Amret transactions are entered with related parties in the normal course of business. These include borrowing transactions and board of director fees. Outstanding balances at year end, and relating expense for the year are as follows:

|   | <u>2006</u><br>Riel '000 | <u>2005</u><br>Riel '000 |
|---|--------------------------|--------------------------|
| <b>Board of Directors</b>                             |                          |                          |
| Fees and relating expense                             | <u>214,603</u>           | <u>115,151</u>           |
| <b>Borrowing</b>                                      |                          |                          |
| Investisseur & Partenaire pour le Developpement (I&P) | <u>3,137,240</u>         | <u>1,965,780</u>         |
| <b>Interest expenses</b>                              |                          |                          |
| Investisseur & Partenaire pour le Developpement (I&P) | <u>339,007</u>           | <u>268,298</u>           |

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

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**APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2006****1. CAPITAL ADEQUACY RATIO (SOLVENCY RATIO), Prakas No. B7-00-46**

A licensed Micro-finance Institution shall at all times, maintain capital adequacy ratio of more than 20%. As at 31 December 2006, Capital Adequacy Ratio of Amret is 28.72%.

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 Amret is 494%.

The Liquidity Ratio calculation is detailed in Schedule 2.

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

Foreign currency exposure ratio should not exceed 5% of net worth for each currency and 15% of net worth aggregate. As at 31 December 2006, the foreign currency exposure ratio (US dollars) is 0.81% in individual and aggregate.

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 66,886,000, Amret has deposited with the Central Bank Riel 64,365,000.

The Reserve Requirement calculation is detailed in Schedule 4.

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

A licensed Micro-finance Institution 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 60 days or more.
- **Loss:** some payments of principal and/or interest are overdue 90 days or more.

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.

**APPENDIX 1: 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)**

- **Doubtful**: some payments of principal and/or interest are overdue 180 days or more.
- **Loss**: some payments of principal and/or interest are overdue 360 days or more.

Specific provisions on the loans classified as follow:

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

As at 31 December 2006, the specific provision provided by Amret is Riel 10,349,000 which is in compliance with Central Bank's Prakas.

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

**SCHEDULE 1  
CAPITAL ADEQUACY RATIO (SOLVENCY RATIO)  
AS AT 31 DECEMBER 2006**

**1-NUMERATOR : ELIGIBLE CAPITAL**

**1.1. CORE CAPITAL**

|                           | <u>Riel'000</u>   |
|---------------------------|-------------------|
| - Paid in capital         | 1,126,600         |
| - Reserves                | 3,434,389         |
| - Retained earnings       | 9,755,176         |
| - Net profit for the year | <u>5,413,435</u>  |
| <b>Sub total A</b>        | <u>19,729,600</u> |
| <b>Less :</b>             |                   |
| - Unpaid capital          | -                 |
| - Loan to related parties | 103,732           |
| - Intangible asset        | <u>106,141</u>    |
| <b>Sub-total B</b>        | 209,873           |
| <b>Core capital (A-B)</b> | <b>19,519,727</b> |

**1.2.HYBRID CAPITAL**

|                               |           |
|-------------------------------|-----------|
| - Nun-refundable grants       | -         |
| - Public guarantee funds      | -         |
| - Perpetual subordinated debt | 4,032,971 |

**Hybrid capital** **4,032,971**

**1.3 ELIGIBLE CAPITAL ( Core capital + Hybrid capital ) (E)** **23,552,698**

**2-DENOMINATOR:RISK-WEIGHTED ASSET (R)**

| Asset                                 | Amount            | Weighting |                   |
|---------------------------------------|-------------------|-----------|-------------------|
| - Cash                                | 1,917,657         | 0%        | -                 |
| - Gold                                | -                 | 0%        | -                 |
| - Balances with Central Bank          | 8,216,795         | 0%        | -                 |
| - Balances with bank rated AAA to AA- | -                 | 20%       | -                 |
| - Balances with bank rated A+ to A-   | -                 | 50%       | -                 |
| - Loans and advances to customers     | 70,943,077        | 100%      | 70,943,077        |
| - Others asset                        | <u>11,076,064</u> | 100%      | 11,076,064        |
| <b>Total</b>                          | <u>92,153,593</u> |           | <u>82,019,141</u> |

**CAPITAL ADEQUACY RATIO ( C=E/R )** **28.72%**

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

**LIQUIDITY RATIO**

**1-Numerator: liquid assets**

**Riel'000**

|                              |           |
|------------------------------|-----------|
| - Cash on hand               | 1,917,657 |
| - Balances with Central Bank | 8,216,795 |
| - Balances with banks        | 6,514,302 |

**Sub-total A** **16,648,754**

**Less :**

|                               |            |
|-------------------------------|------------|
| - Amount owed to Central Bank | 19,520,000 |
| - Amount owed to banks        | -          |

**Sub-total B** 19,520,000

**Net liquidity (A-B)** **(2,871,246)**

**Plus :**

Portion of loans maturing in less than month **4,523,529**

**Liquid assets (L)** **1,652,283**

**2-Denominator: Adjusted amount of deposits (A)**

| Category of Deposits | Amount           | %   |                |
|----------------------|------------------|-----|----------------|
| Term deposits        | 1,337,715        | 25% | 334,429        |
| <b>Total</b>         | <b>1,337,715</b> |     | <b>334,429</b> |

**LIQUIDITY RATIO (L/A)** **494%**

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

| Foreign currency-US\$                          | <u>Riel'000</u> |
|--|-----------------|
| 1- Assets in foreign currency                  | 17,625,951      |
| 2- Minus: liabilities in that currency         | 17,435,340      |
| 3- Net position (long or short)                | 190,611         |
| 4- Minus: provision for FX losses              | -               |
| 5- Adjusted net position (long or short)       | 190,611         |
| 6- Net worth                                   | 23,552,698      |
| <b>7- Foreign currency exposure ratio: 5/6</b> | <b>0.81%</b>    |

**SCHEDULE 4  
RESERVE REQUIREMENT  
AS AT 31 DECEMBER 2006**

|   | <u>Riel'000</u>         |
|---|-------------------------|
| 1-Voluntary                                       |                         |
| 1-1 Demand  | -                       |
| 1-2 Saving  | -                       |
| 1-3 Term  | 1,337,715               |
| 1-4 Other   | -                       |
| <b>1-5 Total Reservable Deposits</b>              | <b><u>1,337,715</u></b> |
| <b>2-Compulsary</b>                               |                         |
| 2-1 Program (5% for guarantee, Individual Credit) | -                       |
| 2-2 Program                                       |                         |
| 2-3 Program                                       |                         |
| 2-4 Total compulsory saving                       |                         |
| <b>3-Total saving mobilized</b>                   | <b>1,337,715</b>        |
| 5% Reservable Deposit                             | <b><u>66,886</u></b>    |

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

| Loan classification                       | Amount<br>Riel'000 | Rate<br>% | Specific<br>Provision<br>Riel'000 |
|---|--------------------|-----------|-----------------------------------|
| <b>1-Loans of one year or less</b>        |                    |           |                                   |
| 1-1 Standard                              | 71,124,229         | 0%        | -                                 |
| 1-2 Substandard Past Due >30 days         | 28,155             | 10%       | 2,816                             |
| 1-3 Doubtful Past Due >60 days            | 80                 | 30%       | 24                                |
| 1-4 Loss Past Due >90 days                | 4,870              | 100%      | 4,870                             |
| <b>Sub-Total 1</b>                        | <b>71,157,334</b>  |           | <b>7,710</b>                      |
| <b>2-Loans of more than one year</b>      |                    |           |                                   |
| 2-1 Standard                              | -                  | 0%        | -                                 |
| 2-2 Substandard Past Due >30 days         | -                  | 10%       | -                                 |
| 2-3 Doubtful Past Due >180 days           | 9,561              | 30%       | 2,639                             |
| 2-4 Loss Past Due >360 days               | -                  | 100%      | -                                 |
| <b>Sub-Total 2</b>                        | <b>9,561</b>       |           | <b>2,639</b>                      |
| <b>All loan past due &gt; 30 days (A)</b> | <b>42,666</b>      |           |                                   |
| <b>Loan outstanding (B)</b>               |                    |           | <b>71,166,895</b>                 |
| <b>Delinquency Ratio (A/B)</b>            |                    |           | <b><u>0.06%</u></b>               |