



AMRET CO., LTD

Financial Statements
and
Auditors' report
31 December 2007

Corporate Information

Company	Amret Co., Ltd.
Registration No	Co. 820/00E
Registered office	No. 35BA-35BB-35BC, E0-E4, Street 598, Sangkat Vealvong, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia
Shareholders	Groupe de Recherche et d' Echanges Technologiques ("GRET") Societe d'Investissement et de Developpement International ("SIDI") La Fayette Participations S.A.S ("LFP") Investisseur & Partenaire pour le Developpement ("I&P") Advans S.A. – SICAR, formerly La Fayette Investissement SA – SICAR ("LFI") Botta Co., Ltd. ("Botta")
Board of Directors	Dr. Claude Falgon (Chairman) Mr. Christian Baron (Member) Dr. Edmond De Capele (Member) Mr. Chea Phalarin (Member) Mr. Patrice Hoppenot (Member) Dr. Kang Chandararot (Member)
Auditor	KPMG Cambodia Ltd

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Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Amret Co., Ltd. ("the Company" or "Amret") for the year ended 31 December 2007.

Principal activity

The principal activity of Amret is to provide micro-finance services to the economically active poor population of Cambodia through its head office in Phnom Penh and its various provincial offices in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2007 were as follows:

	KHR'000
Profit before income tax	12,160,870
Income tax expense	(2,297,198)
Profit for the year	<u>9,863,672</u>

Reserves and provisions

There were no material movements to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

Bad and doubtful loans

Before the income statement and balance sheet of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any substantial extent.

Amret Co., Ltd

Current assets

Before the income statement and balance sheet of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they might be expected to realise.

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

Valuation methods

At the date of this report, the Board of Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company as misleading or inappropriate.

Contingent and other liabilities

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

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

Change of circumstances

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

Items of unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

Amret Co., Ltd

Share capital

On 19 June 2003, the Company issued 1,166 new shares at premium of KHR359,475 and during the year on 20 March 2007, additional 126 shares were issued to Botta Co., Ltd., a company incorporated by Amret staff, at premium of KHR2,150,000 per share. The premium of KHR690,048,000 (2006: KHR419,148,000) were recorded as share premium.

The Board of Directors

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

- Dr. Claude Falgon (Chairman)
- Mr. Christian Baron (Member)
- Dr. Edmond De Capele (Member)
- Mr. Chea Phalarin (Member)
- Mr. Patrice Hoppenot (Member)
- Dr. Kong Chandararot (Member)

Directors' interests

No members held any interest in the equity of the Company. No arrangements existed to which the Company is a party with the object of enabling the members to obtain an interest in the Company or in any body corporate.

Directors' benefits

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

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

Amret Co., Ltd

Responsibilities of the Board of Directors in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2007, and of the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards, accounting principles generally accepted in Cambodia and the guidelines issued by the National Bank of Cambodia or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- (v) control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

On behalf of the Board of Directors



Mr. Chea Phalarin
General Manager

Date: 31 MAR 2008



KPMG Cambodia Ltd
No 2 Street 208
Sangkat Beoung Proitt
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia

Telephone +855 (23) 216 899
Fax +855 (23) 217 279
Internet www.kpmg.com

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders

Amret Co., Ltd.

We have audited the accompanying financial statements of Amret Co., Ltd. ("the Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 55.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The financial statements of the Company for the year ended 31 December 2006 were audited by another firm of auditors whose report dated 2 April 2007 expressed an unqualified opinion on the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Amret Co., Ltd. as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards, accounting principles generally accepted in Cambodia and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

KPMG

KPMG Cambodia Ltd
Phnom Penh
31 MAR 2008

Amret Co., Ltd

Balance sheet As at 31 December 2007

	Note	2007		2006	
		KHR'000	US\$	KHR'000	US\$
Assets					
Cash on hand	3	3,860,375	964,370	1,917,657	472,679
Deposits and placements with banks	4	22,527,489	5,627,652	14,610,402	3,601,282
Statutory deposits	5	196,775	49,157	120,695	29,750
Loans to customers	6	120,807,855	30,179,329	70,943,077	17,486,585
Other receivables	7	3,632,681	907,489	2,944,801	725,857
Deferred tax assets	8	305,934	76,427	288,741	71,171
Intangible assets	9	103,406	25,832	106,141	26,162
Property and equipment	10	1,515,222	378,522	1,114,713	274,763
Total assets		152,949,737	38,208,778	92,046,227	22,688,249
Liabilities and shareholders' equity					
Liabilities					
Deposits from customers	11	3,522,087	879,862	1,337,715	329,730
Borrowings	12	109,202,801	27,280,240	61,480,916	15,154,281
Subordinated debts	13	4,032,971	1,007,487	4,032,971	994,077
Other liabilities	14	4,109,137	1,026,514	2,850,888	702,709
Provision for income tax	8	1,915,564	478,532	1,220,988	300,958
Provision for retirement benefits	15	1,089,820	272,251	1,393,149	343,394
Total liabilities		123,872,380	30,944,886	72,316,627	17,825,149
Shareholders' equity					
Share capital	16	1,151,800	287,734	1,126,600	277,693
Share premium	16	690,048	172,383	419,148	103,315
Retained earnings		23,891,706	5,968,450	15,168,611	3,738,873
Statutory reserve		2,285,868	571,039	2,285,868	563,438
Reserve for currency risk		942,755	235,512	616,713	152,012
Legal reserve		115,180	28,774	112,660	27,769
Total shareholders' funds		29,077,357	7,263,892	19,729,600	4,863,100
Total liabilities and shareholders' equity		152,949,737	38,208,778	92,046,227	22,688,249

The accompanying notes form part of these financial statements

Amret Co., Ltd

Income statement Year ended 31 December 2007

	Note	2007		2006	
		KHR'000	US\$	KHR'000	US\$
Interest income	17	38,699,555	9,667,638	23,751,290	5,854,397
Interest expenses	18	(9,367,917)	(2,340,224)	(4,485,249)	(1,105,558)
Net interest income		29,331,638	7,327,414	19,266,041	4,748,839
Other operating income		161,261	40,284	145,874	35,956
Operating income		29,492,899	7,367,698	19,411,915	4,784,795
Fee and commission expenses	19	(2,897,940)	(723,942)	(2,457,171)	(605,662)
Operating and other expenses	20	(14,278,750)	(3,567,013)	(10,208,926)	(2,516,373)
Provision for bad and doubtful loans	6	(174,152)	(43,505)	6,259	1,543
Profit from operations		12,142,057	3,033,238	6,752,077	1,664,303
Grant income	21	18,813	4,700	5,530	1,363
Profit before income tax		12,160,870	3,037,938	6,757,607	1,665,666
Income tax expense	8	(2,297,198)	(573,869)	(1,344,172)	(331,322)
Net profit for the year		9,863,672	2,464,069	5,413,435	1,334,344

The accompanying notes form part of these financial statements

Amret Co., Ltd

Statement of changes in equity Year ended 31 December 2007

	Share capital KHR'000	Share premium KHR'000	Retained earnings KHR'000	Statutory reserve * KHR'000	Reserve for currency risk KHR'000	Legal reserve KHR'000	Total KHR'000
As at 1 January 2006	1,126,600	419,148	10,400,311	2,285,868	548,578	112,660	14,893,165
Dividend paid	-	-	(577,000)	-	-	-	(577,000)
Transfers to reserve for currency risk	-	-	(68,135)	-	68,135	-	-
Net profit for the year	-	-	5,413,435	-	-	-	5,413,435
As at 1 January 2007	1,126,600	419,148	15,168,611	2,285,868	616,713	112,660	19,729,600
Dividend paid	-	-	(812,015)	-	-	-	(812,015)
Issuance of share capital	25,200	270,900	-	-	-	-	296,100
Transfers to reserve for currency risk and legal reserve	-	-	(328,562)	-	326,042	2,520	-
Net profit for the year	-	-	9,863,672	-	-	-	9,863,672
As at 31 December 2007	1,151,800	690,048	23,891,706	2,285,868	942,755	115,180	29,077,357
(US\$ equivalents)	287,734	172,383	5,968,450	571,039	235,512	28,774	7,263,892

* Statutory reserves represent reserves transferred from Ennatien Moulethan Tchonnebat (“EMT”) Project. The amount is non-distributable.

The accompanying notes form part of these financial statements

Amret Co., Ltd

Statement of cash flows Year ended 31 December 2007

	Note	2007		2006	
		KHR'000	US\$	KHR'000	US\$
Cash flows from operating activities					
Net cash used in operating activities	22	(45,083,561)	(11,262,443)	(14,433,044)	(3,557,566)
Cash flows from investing activities					
Purchase of property and equipment		(763,398)	(190,706)	(591,995)	(145,919)
Purchase of intangible assets		(92,549)	(23,120)	(70,611)	(17,405)
Proceeds from disposals of property and equipment		15,873	3,964	54,960	13,547
Net cash used in investing activities		(840,074)	(209,862)	(607,646)	(149,777)
Cash flows from financing activities					
Dividends paid		(812,015)	(202,852)	(577,000)	(142,223)
Proceed from issuance of share capital		296,100	73,969	-	-
Proceeds from borrowings		88,520,047	22,113,426	29,568,776	7,288,335
Repayments of borrowings		(40,798,162)	(10,191,896)	(7,036,840)	(1,734,493)
Net cash generated from financing activities		47,205,970	11,792,647	21,954,936	5,411,619
Net increase in cash and cash equivalents		1,282,335	320,342	6,914,246	1,704,276
Cash and cash equivalents at beginning of year		8,893,379	2,192,108	1,979,133	481,307
Translation difference		-	29,572	-	6,525
Cash and cash equivalents at end of year	23	10,175,714	2,542,022	8,893,379	2,192,108

The accompanying notes form part of these financial statements

Amret Co., Ltd

Notes to the financial statements 31 December 2007

1. Background and principal activities

Amret Co., Ltd. (“the Company” or “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 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 renewed its license with an indefinite life from the National Bank of Cambodia to conduct business as a micro-finance institution in the Kingdom of Cambodia on 27 April 2007.

As at 31 December 2007, the Company had 611 employees (31 December 2006: 399).

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of accounting

The financial statements have been prepared in accordance with Cambodian Accounting Standards, the laws and accounting regulations of Cambodia and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements.

(b) Financial instruments

The Company’s financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(c) Segment information

The Company operates within one business segment, commercially oriented micro-finance services, and within one geographical segment, the Kingdom of Cambodia.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

2. Significant accounting policies (continued)

(d) Measurement and presentation currency

The Company transacts its business and maintains its accounting records in Khmer Riels (“KHR”). Management have determined the KHR to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than KHR are translated into KHR at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than KHR at the balance sheet date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

All assets, liabilities and income statement items at the end of the year are translated into US\$ using the prescribed official exchange rate announced by the National Bank of Cambodia at the balance sheet date of US\$1: KHR4,003 (2006: KHR4,057). These translations are for presentation purposes only and should not be construed as representations that the US\$ amounts have been, could have been or could in the future be converted into KHR at this or any other rate of exchange.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(f) Loans to customers

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

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

2. Significant accounting policies (continued)

(g) Provision for bad and doubtful loans

In compliance with the NBC Guidelines, a specific provision for bad and doubtful loans is made on loans that are identified as non-performing, as follows:

Classification	Number of days past due	Provision
Short term loans (less than one year):		
Sub-standard	31 - 60 days	10%
Doubtful	61 - 90 days	30%
Loss	Over 90 days	100%
Long term loans (more than one year):		
Sub-standard	31 - 180 days	10%
Doubtful	181 - 360 days	30%
Loss	Over 360 days	100%

The specific provision is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrual interest and is charged as expense. Interest on non-performing loans is not accrued.

In addition to the specific provision, an additional general provision for bad and doubtful loans is made at the rate of 0.3% of total loan outstanding, net of specific provision.

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

An uncollectible loan or portion of a loan classified is written off when, in the judgment of the management, there is no prospect of recovery, after taking into consideration the realisable value of the collateral, if any.

(h) Deposits and placement with banks

Deposits and placements with banks are carried at cost.

(i) Other receivables

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

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

2. Significant accounting policies (continued)

(j) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a declining basis at the rate of 50% per annum.

(k) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

(ii) Depreciation of property and equipment is charged to the income statement on a declining basis, except office improvements, over the estimated useful lives of the individual assets at the following rates:

Office equipment	50%
Office furniture	25%
Motor vehicles	25%

Office improvements are depreciated on a straight line basis at 5% per annum.

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

(vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

2. Significant accounting policies (continued)

(l) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 2(g).

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(m) Deposits from customers

Deposits from customers are stated at placement value.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

2. Significant accounting policies (continued)

(n) Borrowings

Borrowings are stated at cost.

(o) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Retirement benefits

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

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

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

<i>Number of working years</i>	<i>Percentage (%) of total retirement benefits 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.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

2. Significant accounting policies (continued)

(p) Retirement benefits (continued)

The liability recognised 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%.

(q) Reserve for currency risk

Reserve for currency risk represents a general purpose reserve established to cover the risks for micro-finance operations in Cambodia, in particular the currency risk. The reserve for currency risk is calculated based on 2% of unhedged borrowings which are denominated in US\$.

(r) Legal reserve

Based on the memorandum and articles of association, the Company 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 is equal to 10% of the Company's registered capital.

(s) Income and expense recognition

Interest income on loans is recognised on an accruals basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding.

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

Expenses are recognised on an accrual basis.

Amret Co., Ltd.

Notes to the financial statements (continued) **31 December 2007**

2. Significant accounting policies (continued)

(t) Grants

Grants received to subsidise the Company's operating expenses are released to the income statement on a systematic and rational basis, matching the related costs which they are intended to compensate.

Grants received for the purchase of property and equipment are amortised to the income statement on a systematic and rational basis over the useful life of the assets. The unamortised grants are shown as deferred grant income.

(u) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised as a component of shareholder equity, in which case it is also disclosed as a component of shareholder equity.

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

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

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

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

2. Significant accounting policies (continued)

(w) Related parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10 percent of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

3. Cash on hand

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Head office	73,698	18,410	28,551	7,037
Provincial branches				
Kampong Cham	361,013	90,185	149,368	36,817
Kampong Speu	280,265	70,014	274,565	67,677
Kampot	650,971	162,622	237,381	58,512
Kandal	806,231	201,406	447,322	110,259
Prey Veng	999,762	249,753	460,232	113,442
Siem Reap	122,557	30,616	49,283	12,148
Takeo	565,878	141,364	270,955	66,787
	<u>3,860,375</u>	<u>964,370</u>	<u>1,917,657</u>	<u>472,679</u>

The above amounts are analysed as follows:

By currency:

Khmer Riel	2,869,132	716,745	1,532,796	377,815
US Dollars	991,243	247,625	384,861	94,864
	<u>3,860,375</u>	<u>964,370</u>	<u>1,917,657</u>	<u>472,679</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

4. Deposits and placements with banks

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
<i>Current accounts</i>				
National Bank of Cambodia	6,067,056	1,515,627	461,420	113,733
Aceda Bank Plc	152,836	38,180	502,101	123,762
Canadia Bank Plc	29,562	7,385	2,200,239	542,332
Rural Development Bank	1,534	384	1,588	392
<i>Savings accounts</i>				
Aceda Bank Plc	49,435	12,349	-	-
Canadia Bank Plc	13,546	3,384	3,809,024	938,876
Rural Development Bank	1,370	343	1,350	333
<i>Fixed deposit accounts</i>				
National Bank of Cambodia	16,212,150	4,050,000	7,634,680	1,881,854
	<u>22,527,489</u>	<u>5,627,652</u>	<u>14,610,402</u>	<u>3,601,282</u>

The fixed deposit is used as collateral for borrowings amounting to KHR28,200 million from the National Bank of Cambodia. (Note 12)

The above amounts are analysed as follows:

(a) By maturity:				
Within 1 month	6,315,339	1,577,652	6,975,722	1,719,429
Between 2 to 3 months	-	-	-	-
Between 4 to 12 months	16,212,150	4,050,000	7,634,680	1,881,853
	<u>22,527,489</u>	<u>5,627,652</u>	<u>14,610,402</u>	<u>3,601,282</u>
(b) By currency:				
Khmer Riel	1,580,222	394,760	4,758,371	1,172,879
US Dollars	20,947,267	5,232,892	9,852,031	2,428,403
	<u>22,527,489</u>	<u>5,627,652</u>	<u>14,610,402</u>	<u>3,601,282</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

4. Deposits and placements with banks (continued)

(c) By interest rate (per annum):

	2007	2006
Savings accounts	0.75% - 1.50%	-
Fixed deposit accounts	3.00% - 4.00%	0% - 4.12%

5. Statutory deposits

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Statutory deposits on:				
Registered share capital	57,590	14,387	56,330	13,885
Customers' deposits	139,185	34,770	64,365	15,865
	<u>196,775</u>	<u>49,157</u>	<u>120,695</u>	<u>29,750</u>

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-00-006 and B7-06-209 on the Licensing of Micro-Finance Institutions, the amounts of which are determined by defined percentages of the Company's registered share capital and customers' deposits with the Company.

The statutory deposit on registered share capital is refundable when the Company voluntarily liquidates and has no deposit liabilities. The statutory deposit on customers' deposits fluctuates depending on the level of the customers' deposits.

From September 2006, the statutory deposit on registered capital placed with NBC earns interest at the rate of 3% per annum. The statutory deposit relating to customers' deposits does not earn interest.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

6. Loans to customers

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Solidarity credit	72,179,209	18,031,278	50,088,695	12,346,240
Individual credit	49,011,474	12,243,686	21,078,200	5,195,514
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>
Provision for bad and doubtful loans				
Specific	(19,314)	(4,825)	(10,349)	(2,551)
General	(363,514)	(90,810)	(213,469)	(52,618)
	<u>(382,828)</u>	<u>(95,635)</u>	<u>(223,818)</u>	<u>(55,169)</u>
	<u>120,807,855</u>	<u>30,179,329</u>	<u>70,943,077</u>	<u>17,486,585</u>

The movements in allowance for bad and doubtful loans to customers were as follows:

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
At beginning of year	223,818	55,169	252,250	61,345
Provision/(written back) during the year	174,152	43,505	(6,259)	(1,543)
Written off during the year	(15,142)	(3,782)	(22,173)	(5,465)
Translation difference	-	743	-	832
At end of year	<u>382,828</u>	<u>95,635</u>	<u>223,818</u>	<u>55,169</u>

Solidarity credit and individual credit are mostly granted in KHR 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 repayments are due monthly and some of the principal repayments are flexible, while others are due monthly.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

6. Loans to customers (continued)

The loans to customers are analysed as follows:

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
(a) By maturity:				
Within 1 month	7,530,393	1,881,187	4,523,529	1,114,994
2 to 3 months	25,325,963	6,326,745	6,802,293	1,676,681
4 to 12 months	72,707,493	18,163,251	56,578,615	13,945,924
More than 12 months	15,626,834	3,903,781	3,262,458	804,155
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>
(b) By currency:				
Khmer Riel	104,029,984	25,988,005	64,199,994	15,824,499
US Dollars	17,160,699	4,286,959	6,966,901	1,717,255
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>
(c) By economic sector:				
Agriculture	81,693,994	20,408,192	49,552,310	12,214,028
Trade and commerce	16,854,449	4,210,454	9,419,870	2,321,881
Services	4,554,475	1,137,765	2,358,710	581,393
Transportation	6,371,419	1,591,662	3,787,710	933,623
Construction	2,870,269	717,029	1,539,160	379,384
Household/family	5,882,220	1,469,453	3,215,430	792,563
Other category	2,963,857	740,409	1,293,705	318,882
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>
(d) By residency status:				
Residents	121,190,683	30,274,964	71,166,895	17,541,754
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>
(e) By relationship:				
External customers	121,190,683	30,274,964	71,166,895	17,541,754
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

6. Loans to customers (continued)

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
(f) By locations:				
Kampong Speu	13,434,687	3,356,155	8,883,545	2,189,683
Kampong Cham	15,320,112	3,827,157	7,522,220	1,854,134
Kampot	21,032,392	5,254,157	13,835,187	3,410,202
Kandal	22,898,966	5,720,452	15,613,912	3,848,635
Prey Veng	25,664,346	6,411,277	15,042,545	3,707,800
Siem Reap	6,170,075	1,541,363	808,560	199,300
Takeo	16,670,105	4,164,403	9,460,926	2,332,000
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>

(g) By performance:				
Standard loans:				
Secured	48,886,097	12,212,365	21,038,147	5,185,642
Unsecured	72,174,935	18,030,211	50,086,081	12,345,596
Sub-standard loans:				
Secured	99,869	24,948	25,955	6,397
Unsecured	1,198	299	2,200	542
Doubtful loans:				
Secured	24,805	6,197	9,641	2,376
Unsecured	2,877	719	-	-
Loans loss:				
Secured	902	225	4,457	1,099
Unsecured	-	-	414	102
	<u>121,190,683</u>	<u>30,274,964</u>	<u>71,166,895</u>	<u>17,541,754</u>

(h) By interest rate (per month):

	2007	2006
Loans in Khmer Riel	2.50% - 3.50%	3.00% - 3.50%
Loans in US Dollars	2.25% - 3.00%	2.50% - 3.00%

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

7. Other receivables

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Interest receivable	1,968,321	491,711	1,487,160	366,566
Prepaid guarantee charged on borrowings	-	-	319,269	78,696
Prepaid commission fees on borrowings	1,025,231	256,116	605,616	149,277
Advances to staff	193,365	48,305	106,058	26,142
Prepaid rent	237,186	59,252	215,534	53,126
Prepaid insurance	176,951	44,204	116,674	28,759
Deposits	1,792	448	1,993	492
Others	29,835	7,453	92,497	22,799
	<u>3,632,681</u>	<u>907,489</u>	<u>2,944,801</u>	<u>725,857</u>

8. Income tax

(a) Deferred tax assets

Deferred tax assets comprise:

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Provision	215,272	53,778	278,624	68,677
Unrealised exchange losses	105,516	26,359	10,117	2,494
Depreciation	(14,854)	(3,710)	-	-
At end of the year	<u>305,934</u>	<u>76,427</u>	<u>288,741</u>	<u>71,171</u>

The movement in the net deferred tax assets is as follows:

At beginning of year	288,741	71,171	172,882	42,043
Credited to income statement	17,193	4,296	115,859	28,558
Translation difference	-	960	-	570
At end of the year	<u>305,934</u>	<u>76,427</u>	<u>288,741</u>	<u>71,171</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

8. Income tax (continued)

(b) Provision for income tax

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
At the beginning of year	1,220,988	300,958	905,005	220,089
Income tax expense	2,314,391	578,165	1,460,031	359,880
Income tax paid	(1,619,815)	(404,650)	(1,144,048)	(281,994)
Translation difference	-	4,059	-	2,983
	<u>1,915,564</u>	<u>478,532</u>	<u>1,220,988</u>	<u>300,958</u>

(c) Income tax expense

The reconciliation of current income tax computed at the statutory tax rate of 20% to the income tax expense shown in the income statement is as follows:

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Profit before income tax	12,160,870	3,037,938	6,757,607	1,665,666
Income tax using statutory rate	2,432,174	607,589	1,351,521	333,133
(Non-taxable income)/ non-deductible expenses	(157,955)	(39,460)	115,859	28,558
	2,274,219	568,129	1,467,380	361,691
Prior year tax under/ (over) provision	40,172	10,036	(7,349)	(1,811)
	2,314,391	578,165	1,460,031	359,880
Origination and reversal of temporary differences	(17,193)	(4,296)	(115,859)	(28,558)
Income tax expense	<u>2,297,198</u>	<u>573,869</u>	<u>1,344,172</u>	<u>331,322</u>

The calculation of taxable income is subject to the review and approval of the tax authorities.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

9. Intangible assets

	ACCPAC License KHR'000	MicroBanker License KHR'000	Total KHR'000	US\$
Cost				
At 1 January 2007	22,461	184,098	206,559	50,914
Additions	-	92,549	92,549	23,120
Translation difference	-	-	-	687
At 31 December 2007	<u>22,461</u>	<u>276,647</u>	<u>299,108</u>	<u>74,721</u>
Less: Accumulated amortisation				
At 1 January 2007	17,782	82,636	100,418	24,752
Charge for the year	2,807	92,477	95,284	23,803
Translation difference	-	-	-	334
At 31 December 2007	<u>20,589</u>	<u>175,113</u>	<u>195,702</u>	<u>48,889</u>
Net book value				
At 31 December 2007	<u>1,872</u>	<u>101,534</u>	<u>103,406</u>	<u>25,832</u>
At 31 December 2006	<u>4,679</u>	<u>101,462</u>	<u>106,141</u>	<u>26,162</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

10. Property and equipment

	Office improvements KHR'000	Office equipment KHR'000	Office furniture KHR'000	Motor Vehicles KHR'000	Total KHR'000
Cost					
At 1 January 2007	273,660	755,465	131,687	1,190,363	2,351,175
Additions	203,918	310,630	227,903	20,947	763,398
Disposals	-	(112,072)	-	(2,785)	(114,857)
Written off	(1,833)	-	-	-	(1,833)
Reclassification	200,290	-	(200,290)	-	-
At 31 December 2007	<u>676,035</u>	<u>954,023</u>	<u>159,300</u>	<u>1,208,525</u>	<u>2,997,883</u>
Less: Accumulated depreciation					
Balance as at 1 January 2007	19,975	523,054	44,935	648,498	1,236,462
Charge for the year	18,316	196,695	28,029	116,326	359,366
Disposals	-	(108,549)	-	(2,785)	(111,334)
Written off	(1,833)	-	-	-	(1,833)
Reclassification	(4,173)	-	4,173	-	-
At 31 December 2007	<u>32,285</u>	<u>611,200</u>	<u>77,137</u>	<u>762,039</u>	<u>1,482,661</u>
Net book value					
At 31 December 2007	<u>643,750</u>	<u>342,823</u>	<u>82,163</u>	<u>446,486</u>	<u>1,515,222</u>
At 31 December 2006	<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 (continued)

31 December 2007

10. Property and equipment (continued)

	Office improvements US\$	Office equipment US\$	Office furniture US\$	Motor Vehicles US\$	Total US\$
Cost					
Balance as at 1 January 2007	67,454	186,213	32,459	293,410	579,536
Additions	50,941	77,599	56,933	5,233	190,706
Disposals	-	(27,997)	-	(696)	(28,693)
Written off	(458)	-	-	-	(458)
Reclassification	50,035	-	(50,035)	-	-
Translation difference	910	2,512	438	3,958	7,818
At 31 December 2007	168,882	238,327	39,795	301,905	748,909
Less: Accumulated depreciation					
Balance as at 1 January 2007	4,924	128,926	11,076	159,847	304,773
Charge for the year	4,576	49,137	7,002	29,060	89,775
Disposals	-	(27,117)	-	(696)	(27,813)
Written off	(458)	-	-	-	(458)
Reclassification	(1,042)	-	1,042	-	-
Translation difference	66	1,739	149	2,156	4,110
At 31 December 2007	8,066	152,685	19,269	190,367	370,387
Net book value					
At 31 December 2007	160,816	85,642	20,526	111,538	378,522
At 31 December 2006	62,530	57,287	21,383	133,563	274,763

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

11. Deposits from customers

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Term deposits	3,376,256	843,431	1,337,715	329,730
Savings	145,831	36,431	-	-
	<u>3,522,087</u>	<u>879,862</u>	<u>1,337,715</u>	<u>329,730</u>

The above amounts are analysed as follows:

(a) By maturity:

Within 1 month	565,396	141,243	-	-
2 to 3 months	1,678,502	419,311	381,350	93,998
4 to 12 months	1,266,266	316,329	944,665	232,848
More than 12 months	11,923	2,979	11,700	2,884
	<u>3,522,087</u>	<u>879,862</u>	<u>1,337,715</u>	<u>329,730</u>

(b) By currency:

Khmer Riel	638,082	159,401	370,881	91,418
US Dollars	2,884,005	720,461	966,834	238,312
	<u>3,522,087</u>	<u>879,862</u>	<u>1,337,715</u>	<u>329,730</u>

(c) By interest rates:

	Interest rates (per annum)	
	KHR	US\$
Term deposits		
3 months	7%	6%
6 months	8%	7%
12 months	9%	8%
24 months	10%	8.5%
Liquid saving		
Daily	3.5%	3%

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

12. Borrowings

	Note	2007		2006	
		KHR'000	US\$	KHR'000	US\$
BlueOrchard	i	8,006,000	2,000,000	-	-
Calvert Foundation	ii	2,001,500	500,000	2,028,500	500,000
Deutsche Bank	iii	800,600	200,000	-	-
Dexia Bank	iv	-	-	2,231,350	550,000
Financierings - Maatschappij	v	12,179,000	3,042,468	4,057,000	1,000,000
Global Microfinance Facility	vi	8,006,000	2,000,000	-	-
Hivos-Triodos Fund	vii	12,200,000	3,047,715	6,200,000	1,528,223
Investisseur & Partenaire pour le Developpement	viii	5,858,520	1,463,533	3,137,240	773,290
Microfinance Alliance Fund	ix	536,700	134,074	1,526,300	376,214
Monarch Community Fund	x	2,001,500	500,000	2,028,500	500,000
National Bank of Cambodia	xi	28,200,000	7,044,716	19,520,000	4,811,437
Oikocredit Foundation	xii	15,736,067	3,931,068	9,609,526	2,368,629
Opec Fund for International Development	xiii	4,670,164	1,166,666	6,085,500	1,500,000
Rural Development Bank	xiv	-	-	1,000,000	246,488
Sicav Nord-Sud Developpement	xv	3,002,250	750,000	2,028,500	500,000
Symbiotics	xvi	4,003,000	1,000,000	-	-
Triodos Doen	xvii	2,001,500	500,000	2,028,500	500,000
		<u>109,202,801</u>	<u>27,280,240</u>	<u>61,480,916</u>	<u>15,154,281</u>

(i) BlueOrchard

Credit limit in original currency	Repayment terms
US\$2,000,000 (equivalent to KHR8,006,000,000)	The loan will be repaid in full on 1 June 2012.

This loan is unsecured.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

12. Borrowings (continued)

(ii) Calvert Foundation

Credit limit in original currency	Repayment terms
US\$500,000 (equivalent to KHR2,001,500,000)	The loan will be repaid in full on 31 July 2009.

This loan is unsecured.

(iii) Deutsche Bank

Credit limit in original currency	Repayment terms
US\$200,000 (equivalent to KHR800,600,000)	The loan will be repaid in full on 1 November 2010.

(iv) Dexia Bank

Credit limit in original currency	Repayment terms
US\$550,000 (equivalent to KHR2,231,350,000)	The loan was fully repaid on 12 August 2007.

(v) Financierings - Maatschappij

Credit limit in original currency	Repayment terms
The total loan amount is KHR12,179,000,000	The loan shall be repaid in 6 equal semi-annual instalments after being fully disbursed by FMO. The first repayment shall be repaid on 1 April 2009, thereafter on each 1 April/1 October from the date. The final repayment shall be repaid on 1 October 2011.

This loan is unsecured.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

12. Borrowings (continued)

(vi) Global Microfinance Facility

Credit limit in original currency	Repayment terms
US\$1,000,000 (equivalent to KHR4,003,000,000)	The loan will be repaid in full on 27 August 2012.
US\$500,000 (equivalent to KHR2,001,500,000)	The loan will be repaid in full on 21 November 2012.
US\$500,000 (equivalent to KHR2,001,500,000)	The loan will be repaid in full on 12 November 2012.

This loan is unsecured.

(vii) Hivos-Triodos Fund

Credit limit in original currency	Repayment terms
KHR12,200,000,000	The loan will be repaid based on three equal instalments on 1 July 2009, 1 August 2010 and 1 April 2011.

This loan is unsecured.

(viii) Investisseur & Partenaire pour le Developpement

Credit limit in original currency	Repayment terms
KHR1,054,920,000	The loan will be repaid in two instalments amounting to KHR722,600,000 and KHR332,320,000 in March 2008 and March 2009 respectively.
KHR 4,803,600,000	This loan will be paid in full on 30 September 2008.
Total KHR 5,858,520,000	

This loan is unsecured.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

12. Borrowings (continued)

(ix) Microfinance Alliance Fund

Credit limit in original currency	Repayment terms
KHR411,000,000	The loan will be repaid in eight equal quarterly instalments starting on 2 September 2006 and finishing on 24 May 2008.
KHR125,700,000	This loan will be repaid in ten equal quarterly instalments starting on 27 June 2006 and will be finished by 14 September 2008.
Total KHR536,700,000	

This loan is unsecured.

(x) Monarch Community Fund

Credit limit in original currency	Repayment terms
US\$500,000 (equivalent to KHR2,001,500,000)	This loan will be repaid in full on 29 December 2009.

This loan is unsecured.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

12. Borrowings (continued)

(xi) National Bank of Cambodia

Credit limit in original currency	Repayment terms
KHR2,000,000,000	This loan will be paid in full on 13 June 2008
KHR1,000,000,000	This loan will be paid in full on 21 May 2008
KHR1,600,000,000	This loan will be paid in full on 28 March 2008
KHR1,600,000,000	This loan will be paid in full on 24 January 2008
KHR2,000,000,000	This loan will be paid in full on 28 March 2008
KHR2,000,000,000	This loan will be paid in full on 13 March 2008
KHR1,000,000,000	This loan will be paid in full on 22 April 2008
KHR1,000,000,000	This loan will be paid in full on 02 May 2008
KHR1,000,000,000	This loan will be paid in full on 16 May 2008
KHR2,000,000,000	This loan will be paid in full on 13 June 2008
KHR1,000,000,000	This loan will be paid in full on 20 June 2008
KHR12,000,000,000	This loan will be repaid in five instalments commencing from 28 January 2009 and will be fully repaid by no later than 2 January 2011.
Total KHR28,200,000,000	

This is a secured loan obtained from National Bank of Cambodia with a 6 month-guarantee deposit of US\$4,050,000 (equivalent to KHR 16,212,150,000) (Note 4) and a guarantee from Agence Française de Développement (“AFD”) amounting to EUR3,000,000 (equivalent to KHR12,000,000,000).

(xii) Oikocredit Foundation

Credit limit in original currency	Repayment terms
KHR5,200,000,000	The loan will be repaid in two equal instalments in May and September 2008.
EUR2,000,000 (equivalent to KHR10,536,066,658)	The principal of the loan will be repaid in eight equal instalments on a semi-annual basis. The first payment shall be made in April 2008 and loan will be fully repaid by October 2011.
Total KHR15,736,066,658	

This loan is unsecured.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

12. Borrowings (continued)

(xiii) Opec Fund for International Development

Credit limit in original currency	Repayment terms
US\$1,166,666 (equivalent to KHR4,670,163,998)	The loan shall be repaid in nine equal instalments on a semi-annual basis starting from 1 April 2007 and will be fully repaid by 1 April 2011.

This loan is unsecured.

(xiv) Rural Development Bank

Credit limit in original currency	Repayment terms
KHR1,000,000,000	The loan was fully repaid on 26 March 2007.

This loan was unsecured.

(xv) Sicav Nord-Sud Development

Credit limit in original currency	Repayment terms
US\$750,000 (equivalent to KHR3,002,250,000)	The loan will be repaid in full on 15 December 2009.

This loan is unsecured.

(xvi) Symbiotics

Credit limit in original currency	Repayment terms
US\$1,000,000 (equivalent to KHR 4,003,000,000)	The loans will be repaid in full on 1 April 2011.

This loan is unsecured.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

12. Borrowings (continued)

(xvii) Triodos Doen

Credit limit in original currency	Repayment terms
US\$500,000 (equivalent to KHR2,001,500,000)	The loans will be repaid in full on 1 January 2009.

The above amounts are analysed as follows:

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
(a) By maturity:				
Within 1 month	-	-	-	-
2 to 3 months	3,570,000	891,831	2,326,640	573,488
4 to 12 months	11,661,254	2,913,129	11,529,419	2,841,858
More than 12 months	93,971,547	23,475,280	47,624,857	11,738,935
	<u>109,202,801</u>	<u>27,280,240</u>	<u>61,480,916</u>	<u>15,154,281</u>
(b) By currency:				
Khmer Riel	65,174,220	16,281,344	45,033,866	11,100,288
US Dollars	44,028,581	10,998,896	16,447,050	4,053,993
	<u>109,202,801</u>	<u>27,280,240</u>	<u>61,480,916</u>	<u>15,154,281</u>
(c) By interest rate (including withholding tax):				
	2007		2006	
Khmer Riel	13.32%		10.64%	
US Dollars	9.02%		8.12%	

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

13. Subordinated debts

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

- i) The subordinated debt will not be repayable to the MEF 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 considered as "Tier II Capital" in the context of Prakas No. B 700-006 issued by the National Bank of Cambodia, and shall be included in computing the Company's capital adequacy ratio.

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

14. Other liabilities

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Accrued expenses				
Commission to				
Credit Committee	1,236,484	303,116	1,108,749	273,293
Bonus/incentives	974,858	243,532	654,290	161,275
Interest	1,052,227	262,860	490,589	120,925
Audit fees	40,470	10,110	46,894	11,558
Accrued taxes				
Withholding tax	390,879	97,646	106,885	26,346
Salary tax	60,480	15,108	10,240	2,524
Payable to staff association	17,766	4,438	299,388	73,795
Deferred grant income*	9,621	2,403	12,198	3,007
Others	326,352	87,301	121,655	29,986
	<u>4,109,137</u>	<u>1,026,514</u>	<u>2,850,888</u>	<u>702,709</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

14. Other liabilities (continued)

- * Deferred grant income represents the unamortised part of the grant subsidy received from Microfinance Alliance Fund and CGAP for management information systems.

Movement of deferred grant income is as follows:

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
At beginning of year	12,198	3,007	17,728	4,311
Grant received	16,236	4,056	-	-
Amortisation (Note 21)	(2,577)	(644)	(5,530)	(1,363)
Charged to operations related expenses (Note 21)	(16,236)	(4,056)	-	-
Translation difference	-	40	-	59
At end of year	<u>9,621</u>	<u>2,403</u>	<u>12,198</u>	<u>3,007</u>

15. Provision for retirement benefits

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
At beginning of year	1,393,149	343,394	788,181	191,678
(Reversal)/additions during year	(289,869)	(72,413)	636,190	156,813
Payments	(13,460)	(3,363)	(31,222)	(7,696)
Translation difference	-	4,633	-	2,599
At end of the year	<u>1,089,820</u>	<u>272,251</u>	<u>1,393,149</u>	<u>343,394</u>

16. Share capital

The total authorised share capital is 5,759 shares (2006: 5,633 shares) with a par value of KHR200,000 per share (2006: KHR200,000). All authorised shares have been issued and fully paid up.

On 19 June 2003, the Company issued 1,166 new shares at premium of KHR359,475 and during the year on 20 March 2007, an additional 126 shares were issued to Botta Co., Ltd., a company incorporated by Amret staff, at a premium of KHR2,150,000 per share. The premia of KHR690,048,000 (2006: KHR419,148,000) were recorded as share premium.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

16. Share capital (continued)

The details of shareholding are as follows:

	2007		2006	
	Number of shares	Amount KHR'000	Number of shares	Amount KHR'000
Group de Recherche et d' Echanges Technologiques ("GRET")	2,673	534,600	2,673	534,600
La Fayette Participations S.A.S ("LFP")	332	66,400	817	163,400
Societe d'Investissement et de Developpement International ("SIDI")	1,062	212,400	1,062	212,400
Investisseur & Partenaire pour le Developpement ("I&P")	800	160,000	800	160,000
Advans S.A. – SICAR, formerly La Fayette Investissement SA – SICAR ("LFI")	766	153,200	281	56,200
Botta Co., Ltd ("Botta")	126	25,200	-	-
	<u>5,759</u>	<u>1,151,800</u>	<u>5,633</u>	<u>1,126,600</u>
(US\$ equivalents)		<u>287,734</u>		<u>277,693</u>

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

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

16. Share capital (continued)

Pursuant to annual general meeting on 1 December 2007, the following shares were transferred through special resolution:

	Number of shares		
	At 1.1.2007	Transfers	At 31.12.2007
<i>Transfer completed in 2007</i>			
La Fayette Participations S.A.S (“LFP”)	817	(485)	332
Advans S.A. – SICAR, formerly La Fayette Investissement SA – SICAR (“LFI”)	281	485	766
	<u>1,098</u>	<u>-</u>	<u>1,098</u>
<i>Transfers to be completed in 2008</i>			
Group de Recherche et d’ Echanges Technologiques (“GRET”)	2,673	(1,050)	1,623
Advans S.A. – SICAR, formerly La Fayette Investissement SA – SICAR (“LFI”)	-	1,050	1,050
Societe d’ Investissement et de Developpement International (“SIDI”)	1,062	(1,062)	-
Oikocredit	-	531	531
Financierings – Maatschappij (“FMO”)	-	531	531
Investisseur & Partenaire pour le Developpement (“I&P”)	800	(800)	-
Proparco	-	800	800
	<u>4,535</u>	<u>-</u>	<u>4,535</u>
	<u>5,633</u>	<u>-</u>	<u>5,633</u>

The Company had not yet obtained formal approval from the National Bank of Cambodia in respect of the above share transfers.

17. Interest income

	2007		2006	
	KHR’000	US\$	KHR’000	US\$
Solidarity credit	25,528,741	6,377,402	18,459,188	4,549,960
Individual credit	12,654,696	3,161,303	4,950,017	1,220,117
Placements with banks	516,118	128,933	342,085	84,320
	<u>38,699,555</u>	<u>9,667,638</u>	<u>23,751,290</u>	<u>5,854,397</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

18. Interest expenses

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Borrowings	9,173,592	2,291,679	4,394,408	1,083,167
Deposits from customers	174,160	43,507	70,676	17,421
Subordinated debt fees and interest	20,165	5,038	20,165	4,970
	<u>9,367,917</u>	<u>2,340,224</u>	<u>4,485,249</u>	<u>1,105,558</u>

19. Fee and commission expenses

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Credit committee Commission/administration charged on borrowings	2,221,440	554,944	1,800,285	443,748
	<u>676,500</u>	<u>168,998</u>	<u>656,886</u>	<u>161,914</u>
	<u>2,897,940</u>	<u>723,942</u>	<u>2,457,171</u>	<u>605,662</u>

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

Commission	2007	2006
Existing credit committee (prior to 2007)		
First cycle	11.76%	11.76%
Second cycle onward	9.41%	9.41%
New credit committee (established in 2007)		
Depend on interest rate charge and number of credit committee	5.88% - 9.41%	-

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

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

20. Operating and other expenses

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Staff costs	7,712,945	1,926,791	4,953,663	1,221,016
Fuel	1,015,526	253,691	203,096	50,061
Office rental and utilities	902,568	225,473	494,686	121,934
Professional fees	916,691	229,001	758,024	186,843
Meals	779,166	194,646	446,375	110,026
Retirement benefits	(289,869)	(72,413)	636,190	156,813
Office supplies	601,698	150,312	442,269	109,014
Depreciation and amortisation	454,650	113,578	423,802	104,462
Promotion and advertising	307,340	76,777	178,448	43,985
Transportation	299,644	74,855	557,407	137,394
BoD mission	253,845	63,414	76,965	18,971
Repairs and maintenance	243,465	60,822	103,586	25,533
Printing	224,130	55,990	98,047	24,166
Training	186,880	46,685	172,222	42,451
Accommodation	185,541	46,350	106,161	26,167
Communication	176,294	44,040	103,545	25,523
(Gain)/loss on foreign exchange, net	(196,410)	(49,066)	8,204	2,022
Others	504,646	126,067	446,236	109,992
	<u>14,278,750</u>	<u>3,567,013</u>	<u>10,208,926</u>	<u>2,516,373</u>

21. Grant income

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Operations-related – CGAP (Note 14)	16,236	4,056	-	-
Computer depreciation (Note14)	2,577	644	5,530	1,363
	<u>18,813</u>	<u>4,700</u>	<u>5,530</u>	<u>1,363</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

22. Cash flows from operating activities

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Profit before income tax	12,160,870	3,037,938	6,757,607	1,665,666
Adjustments for:				
Retirement benefits	(289,869)	(72,413)	636,190	156,813
Depreciation and amortisation	454,650	113,578	423,802	104,462
Provision for bad and doubtful loans	174,152	43,505	(6,259)	(1,543)
Gain on disposals of property and equipment	(12,350)	(3,084)	(50,961)	(12,561)
	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities	12,487,453	3,119,524	7,760,379	1,912,837
Decrease/(increase) in:				
Deposits and placement with banks	(8,577,470)	(2,142,761)	3,190,400	786,394
Statutory deposits	(76,080)	(19,006)	(22,165)	(5,463)
Loans to customers	(50,038,930)	(12,500,357)	(24,780,212)	(6,108,014)
Other receivables	(687,880)	(171,841)	(977,956)	(241,054)
Increase in:				
Deposits from customers	2,184,372	545,684	564,771	139,209
Other liabilities	1,258,249	314,327	1,007,009	248,215
	<hr/>	<hr/>	<hr/>	<hr/>
Cash used in operations	(43,450,286)	(10,854,430)	(13,257,774)	(3,267,876)
Retirement benefits paid	(13,460)	(3,363)	(31,222)	(7,696)
Income tax paid	(1,619,815)	(404,650)	(1,144,048)	(281,994)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash used in operating activities	(45,083,561)	(11,262,443)	(14,433,044)	(3,557,566)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

23. Cash and cash equivalents

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Cash on hand	3,860,375	964,370	1,917,657	472,679
Deposits and placements with banks	6,315,339	1,577,652	6,975,722	1,719,429
	<u>10,175,714</u>	<u>2,542,022</u>	<u>8,893,379</u>	<u>2,192,108</u>

24. Dividends

At the annual general meeting on 1 December 2007, a dividend in respect of 2006, equivalent to KHR812,015,250 (equivalent to 15% of last year's net profits) was declared and subsequently paid on 18 December 2007.

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Gross dividends	812,015	202,852	577,000	142,223
Withholding tax	(111,367)	(27,821)	(80,780)	(19,911)
Net dividends paid	<u>700,648</u>	<u>175,031</u>	<u>496,220</u>	<u>122,312</u>

25. Financial risk management policies

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

(a) **Credit risk**

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

25. Financial risk management policies (continued)

(a) Credit risk (continued)

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

(b) Operational risk

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

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

(c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$. 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 KHR.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

25. Financial risk management policies (continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Since majority of financial assets are short-term and the interest rates are subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk. However, Amret's loan term is not more than 2 years which can reset interest rate in case of market interest rate increase.

The following table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

25. Financial risk management policies (continued)

(ii) Interest rate risk (continued)

2007	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	3,860,375	3,860,375	-
Deposits and placements with banks	64,351	-	16,212,150	-	-	6,250,988	22,527,489	3.17%
Statutory deposits	-	-	-	57,590	-	139,185	196,775	0.90%
Loans to customers								
- Performing	7,530,393	25,325,963	72,707,493	15,497,183	-	-	121,061,032	31.50%
- Non performing	-	-	-	-	-	129,651	129,651	-
- Allowance	-	-	-	-	-	(382,828)	(382,828)	-
Other receivables	-	-	-	-	-	3,632,681	3,632,681	-
Deferred tax assets	-	-	-	-	-	305,934	305,934	-
	<u>7,594,744</u>	<u>25,325,963</u>	<u>88,919,643</u>	<u>15,554,773</u>	<u>-</u>	<u>13,935,986</u>	<u>151,331,109</u>	
Liabilities								
Deposits from customers	565,396	1,678,502	1,266,266	11,923	-	-	3,522,087	4.90%
Borrowings	-	3,570,000	11,661,254	93,971,547	-	-	109,202,801	8.50%
Subordinated debts	-	-	-	-	4,032,971	-	4,032,971	0.50%
Other liabilities	-	-	-	-	-	4,109,137	4,109,137	-
Provision for income tax	-	-	-	-	-	1,915,564	1,915,564	-
Provision for retirement benefits	-	-	-	-	-	1,089,820	1,089,820	-
	<u>565,396</u>	<u>5,248,502</u>	<u>12,927,520</u>	<u>93,983,470</u>	<u>4,032,971</u>	<u>7,114,521</u>	<u>123,872,380</u>	
Maturity gap	<u>7,029,348</u>	<u>20,077,461</u>	<u>75,992,123</u>	<u>(78,428,697)</u>	<u>(4,032,971)</u>	<u>6,821,465</u>	<u>27,458,729</u>	

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

25. Financial risk management policies (continued)

(ii) Interest rate risk (continued)

2006	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	1,917,657	1,917,657	-
Deposits and placements with banks	3,810,374	-	7,634,680	-	-	3,165,348	14,610,402	3.00%
Statutory deposits	-	-	-	56,330	-	64,365	120,695	0.90%
Loans to customers								
- Performing	4,523,529	6,802,293	56,578,615	3,219,791	-	-	71,124,228	32.90%
- Non performing	-	-	-	-	-	42,667	42,667	-
- Allowance	-	-	-	-	-	(223,818)	(223,818)	-
Other receivables	-	-	-	-	-	2,944,801	2,944,801	-
Deferred tax assets	-	-	-	-	-	288,741	288,741	-
	<u>8,333,903</u>	<u>6,802,293</u>	<u>64,213,295</u>	<u>3,276,121</u>	<u>-</u>	<u>8,199,761</u>	<u>90,825,373</u>	
Liabilities								
Deposits from customers	-	381,350	944,665	11,700	-	-	1,337,715	5.28%
Borrowings	-	2,326,640	11,529,419	47,624,857	-	-	61,480,916	7.15%
Subordinated debts	-	-	-	-	4,032,971	-	4,032,971	0.5%
Other liabilities	-	-	-	-	-	2,850,888	2,850,888	-
Provision for income tax	-	-	-	-	-	1,220,988	1,220,988	-
Provision for retirement benefits	-	-	-	-	-	1,393,149	1,393,149	-
	<u>-</u>	<u>2,707,990</u>	<u>12,474,084</u>	<u>47,636,557</u>	<u>4,032,971</u>	<u>5,465,025</u>	<u>72,316,627</u>	
Maturity gap	<u>8,333,903</u>	<u>4,094,303</u>	<u>51,739,211</u>	<u>(44,360,436)</u>	<u>(4,032,971)</u>	<u>2,734,736</u>	<u>18,508,746</u>	

Amret Co., Ltd.

Notes to the financial statements (continued)

31 December 2007

25. Financial risk management policies (continued)

(d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

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Notes to the financial statements (continued) 31 December 2007

25. Financial risk management policies (continued)

(d) Liquidity risk (continued)

2007	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	No fixed terms KHR'000	Total KHR'000
Assets						
Cash on hand	3,860,375	-	-	-	-	3,860,375
Deposits and placements with banks	6,315,339	-	16,212,150	-	-	22,527,489
Statutory deposits	-	-	-	-	196,775	196,775
Loans to customers						
- Performing	7,530,393	25,325,963	72,707,493	15,497,183	-	121,061,032
- Non performing	-	-	-	-	129,651	129,651
- Allowance	-	-	-	-	(382,828)	(382,828)
Other receivables	-	-	-	-	3,632,681	3,632,681
Deferred tax assets	-	-	-	-	305,934	305,934
	<u>17,706,107</u>	<u>25,325,963</u>	<u>88,919,643</u>	<u>15,497,183</u>	<u>3,882,213</u>	<u>151,331,109</u>
Liabilities						
Deposits from customers	565,396	1,678,502	1,266,266	11,923	-	3,522,087
Borrowings	-	3,570,000	11,661,254	93,971,547	-	109,202,801
Subordinated debts	-	-	-	-	4,032,971	4,032,971
Other liabilities	-	-	-	-	4,109,137	4,109,137
Provision for income tax	-	1,915,564	-	-	-	1,915,564
Provision for retirement benefits	-	-	-	-	1,089,820	1,089,820
	<u>565,396</u>	<u>7,164,066</u>	<u>12,927,520</u>	<u>93,983,470</u>	<u>9,231,928</u>	<u>123,872,380</u>
Maturity gap	<u>17,140,711</u>	<u>18,161,897</u>	<u>75,992,123</u>	<u>(78,486,287)</u>	<u>(5,349,715)</u>	<u>27,458,729</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

25. Financial risk management policies (continued)

(d) Liquidity risk (continued)

2006	Up to 1 month KHR'000	1 – 3 months KHR'000	3 – 12 months KHR'000	1 – 5 years KHR'000	No fixed terms KHR'000	Total KHR'000
Assets						
Cash in hand	1,917,657	-	-	-	-	1,917,657
Deposits and placements with banks	6,975,722	-	7,634,680	-	-	14,610,402
Statutory deposits	-	-	-	120,695	-	120,695
Loans and advances to customers						
- Performing	4,523,529	6,802,293	56,578,615	3,219,791	-	71,124,228
- Non performing	-	-	-	-	42,667	42,667
- Allowance	-	-	-	-	(223,818)	(223,818)
Other receivables	-	-	-	-	2,944,801	2,944,801
Deferred tax assets	-	-	-	-	288,741	288,741
	<u>13,416,908</u>	<u>6,802,293</u>	<u>64,213,295</u>	<u>3,340,486</u>	<u>3,052,391</u>	<u>90,825,373</u>
Liabilities						
Deposits from customers	-	381,350	944,665	11,700	-	1,337,715
Borrowings	-	2,326,640	11,529,419	47,624,857	-	61,480,916
Subordinated debts	-	-	-	-	4,032,971	4,032,971
Other liabilities	-	-	-	-	2,850,888	2,850,888
Provision for income tax	-	-	-	-	1,220,988	1,220,988
Provision for retirement benefits	-	-	-	-	1,393,149	1,393,149
	<u>-</u>	<u>2,707,990</u>	<u>12,474,084</u>	<u>47,636,557</u>	<u>9,497,996</u>	<u>72,316,627</u>
Maturity gap	<u>13,416,908</u>	<u>4,094,303</u>	<u>51,739,211</u>	<u>(44,296,071)</u>	<u>(6,445,605)</u>	<u>18,508,746</u>

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

26. Commitments and contingencies

(a) Lease commitments

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

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Within 1 year	596,523	149,019	222,665	54,884
2 to 5 years	1,193,070	298,044	46,559	11,476
	<u>1,789,593</u>	<u>447,063</u>	<u>269,224</u>	<u>66,360</u>

(b) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

Amret Co., Ltd.

Notes to the financial statements (continued) 31 December 2007

27. Related parties transactions and balances

The Company had significant related party transactions during the year as follows:

	2007		2006	
	KHR'000	US\$	KHR'000	US\$
Board of Directors:				
Fees and related expenses	267,863	66,916	214,603	52,897
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
With shareholders:				
Borrowings:				
Investisseur & Partenaire pour le Developpement	5,858,520	1,463,533	3,137,240	773,290
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest expenses:				
Investisseur & Partenaire pour le Developpement	547,506	136,774	339,007	268,298
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

28. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried on the balance sheet are equal to their carrying values as at 31 December 2007.

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Notes to the financial statements (continued) 31 December 2007

29. Comparative figures

The following comparative figures have been restated to conform with the current year presentation.

	As reclassified KHR'000	As previously presented KHR'000
Balance sheet:		
Balances with banks	-	6,514,302
Balances with Central Bank	-	8,216,795
Deposits and placements with banks	14,610,402	-
Statutory deposits	120,695	-
Other assets	-	3,052,167
Other receivables	2,944,801	-
Deferred grant income	-	12,198
Accruals and other liabilities	-	2,946,056
Other liabilities	2,850,888	-