

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, demand deposits and short-term highly liquid investments with maturities of or less than 90 days maturity from the date of acquisition and they are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and impairment allowance for bad and doubtful loans and advances, including specific provisions, to reflect the estimated recoverable amount. The principal is calculated using the effective interest rate method, which is based on expected future cash flows of contractual installment payments discounted at prevailing market rates offered for similar loans with similar risk profiles.

Provision for bad and doubtful loans

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 and economic 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 on 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.

	Percentage applied (%)
Loan status/classification	
Loan of one year or less	
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
Loan of more than one year	
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 when they are considered as uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for loan loss.

Overdue Loans

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

The provision will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provision shall be recorded in the institution's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard. The analysis of overdue loans is set out in Note 7.

Recoveries on loans previously written off and reversal of previous provisions are disclosed as a deduction from the bad debts and doubtful accounts expense in the statement of income.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when, in the judgment of the management with the approval of the Board of Directors, there is no prospect of recovery. Loans written off are reviewed on a quarterly basis.

Deposits with banks

Deposits and placements with banks are carried at cost.

Other receivables

Other receivables are carried at estimated realisable value.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Motor vehicles	25% - declining balance
Computers	50% - declining balance
Office furniture and equipment	25% - declining balance

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Fully depreciated property and equipment are retained in the financial statement until they are disposed of or written-off.

Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Intangible assets

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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.

Customer deposits

Deposits from customers are stated at placement value and adjusted for accrued interest.

Provisions

A provision is recognized in the balance sheet when TPC 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 risk specific to the liability.

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 (and laws) 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Interest income and expense recognition

Interest income earned on loans is recognized on an accrual basis taking into consideration the principal amount of loans outstanding. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding. When a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis.

Commission and fee income and expenses are recognized in the income statement on an accrual basis.

Grants

Revenue grants received to subsidize TPC'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, plant and equipment are amortised to the income statement on a systematic and rational basis over the useful life of the asset. The unamortised grants are shown as Deferred grant income.

Funds received to be used exclusively for funding its loan disbursement are

recognized as Hybrid capital and treated as part of shareholder's equity in the balance sheet.

Operating leases

Operating 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.

Related party transactions

Parties are considered to be related to TPC 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 TPC 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.

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 of TPC or voting rights and include any individual who participates in the administration, direction, management or internal control of TPC.

Reserves

This account represents profits from the previous Program under CRS. After deduction of previous losses, five percent of the net profits shall be transferred into the legal reserve funds. Such transfer will cease when the reserve funds reach 10% of the registered capital of the Company.

Comparatives

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

3 RISK MANAGEMENT

Financial risk management and policies

By its nature, TPC's activities are principally related to the use of financial instruments. TPC 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.

TPC is exposed to risks from changes in market interest rates and in currency exchange rates. TPC manages and assumes such risks by monitoring the market movements of interest and currency exchange rates. There is no hedging currently. TPC does not hold or issue derivative instruments.

Since the majority of the financial assets are short-term and the interest rates are subject to the market rate, TPC 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 TPC's operations and its cash flows. Its exposure to interest rate risk relates primarily to its loans and bank deposits.

Foreign currency risk

TPC is exposed to foreign exchange risk mainly arising from borrowings in various currency exposures, primarily with respect to the Thai Bath and US dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. In accordance with Central Bank's guidelines, TPC is limited in foreign currency exposure to a ratio not to exceed 5% per individual currency and 15% of its aggregate net worth. There is no reserve for currency risk of unhedged borrowings which are denominated in United State Dollars (US\$). In order to mitigate currency risk, TPC uses the cash from borrowing in US\$ to provide loans in US\$.

Credit risk

TPC 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 TPC's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for doubtful loans. Loans are also provided to those borrowers that are deemed profitable.

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 TPC's financial assets do not materially differ from their carrying values.

4 CASH ON HAND

	2007 Riel '000	2006 Riel '000
Head office	2,000	2,000
Provincial branches:		
Banteay Meanchey	40,330	14,175
Siem Reap	28,893	4,304
Phnom Penh	13,609	3,263
Chhuk	13,182	2,272
Samroung Bati	11,902	5,194
Kandal	10,552	7,692
Kampong Cham	10,240	3,817
Battambang	9,387	1,890
Tramkok	9,169	3,594
Svay Rieng	9,165	10,355
	<u>158,429</u>	<u>58,556</u>

5 BALANCES WITH THE CENTRAL BANK

	2,007 Riel '000	2,006 Riel '000
Fixed deposit	(i) 3,602,700	-
Capital guarantee deposit	(ii) 200,000	200,000
Customers' deposits	(iii) 5,200	2,700
Current account, without interest	4,888	500
	<u>3,812,788</u>	<u>203,200</u>

- (i) Fixed deposit for the period ranging from 23 August 2007 and 18 September 2007 to 22 February 2008 and 18 March 2008, which earn annual interest rate of 4.01%.
- (ii) Following the Central Bank's Prakas No. B700-006 on the Licensing of Micro-Finance Institutions, TPC maintains a minimum amount equal to 5% of its share capital of Riel 4,000,000,000 as at 31 December 2007 in an interest earning account with the Central Bank (3% per annum following the Central Bank's Prakas No. 06.210).
- (iii) Customers' deposits fluctuate depending on the level of the voluntary deposits. Customers' deposits held as a legal reserve by the Central Bank and do not earn any interest.

6 BALANCES WITH BANKS

	2007 Riel '000	2006 Riel '000
Current accounts, without interest		
Acleda Bank Plc.	1,488,563	101,748
Foreign Trade Bank of Cambodia	587	-
Saving deposits	(i)	
Acleda Bank Plc.	1,893,430	477,036
Rural Development Bank of Cambodia	643	3,549
Fixed deposits	(i)	
Foreign Trade Bank of Cambodia	4,803,600	-
	<u>8,186,823</u>	<u>582,333</u>
(i) By interest rates (per annum):		
Acleda Bank Plc.	1,893,430	2.00% - 4.00%
Rural Development Bank of Cambodia	643	1.00% - 1.50%
Foreign Trade Bank of Cambodia	4,803,600	5.00%

7 LOANS TO CUSTOMERS

	2007 Riel '000	2006 Riel '000
Thaneakea Phum loans:		
Fixed term	4,758,874	3,796,041
End of cycle	27,434,892	15,814,717
Solidarity group loans:		
Fixed term	8,789,696	6,666,755
Market loans:		
Fixed term	10,465	11,134
Individual loans:		
Fixed term	6,661,518	2,556,473
End of cycle	196,124	-
Staff loans	423,201	340,776
	48,274,770	29,185,896
Provision for bad and doubtful loans	(95,132)	(62,676)
	<u>48,179,638</u>	<u>29,123,220</u>
Total number of loans	73,930	56,007

	2007 Riel '000	2006 Riel '000
The movements in provision for bad and doubtful loans to customers were as follows:		
At beginning of year	62,676	206,395
Provision during the year	111,167	81,395
Bad debts written off during the year	(80,374)	(225,898)
Currency revaluation	<u>1,663</u>	<u>784</u>
At the end of year	<u>95,132</u>	<u>62,676</u>

The loans to customers are analysed as follows:

	2007 Riel '000	2006 Riel '000
(a) By maturity:		
Within 1 month	4,733,621	3,991,381
2 to 3 months	9,956,627	5,781,645
4 to 12 months	<u>33,584,522</u>	<u>19,412,870</u>
	<u>48,274,770</u>	<u>29,185,896</u>
(b) By currency:		
Khmer Riel	38,404,826	23,113,314
Thai Baht	9,069,105	5,873,361
US Dollar	<u>800,839</u>	<u>199,221</u>
	<u>48,274,770</u>	<u>29,185,896</u>
(c) By economic sector:		
Agriculture	30,479,877	10,997,510
Trade and commerce	13,469,377	8,086,305
Services	1,737,545	1,210,378
Construction	397,828	168,151
Transportation	225,930	248,257
Household/family	198,404	8,412,646
Other categories	<u>1,765,809</u>	<u>62,649</u>
	<u>48,274,770</u>	<u>29,185,896</u>
(d) By residency status:		
Residents	<u>48,274,770</u>	<u>29,185,896</u>
(e) By relationship:		
External customers	47,851,569	28,845,120
Staff loans	<u>423,201</u>	<u>340,776</u>
	<u>48,274,770</u>	<u>29,185,896</u>
(f) By locations:		
Banteay Meanchey	9,069,105	5,873,361
Samrourng Bati	6,288,964	3,949,546
Tramkok	5,831,440	2,638,370
Siem Reap	4,975,744	3,314,195
Kampong Cham	4,356,450	2,001,229
Svay Rieng	4,355,581	2,664,814
Chhuk	3,931,250	2,551,373

Battambang	3,812,572	2,061,199
Kandal	3,475,989	2,229,174
Phnom Penh	<u>2,177,675</u>	<u>1,902,635</u>
	<u>48,274,770</u>	<u>29,185,896</u>
(g) By performance:		
Standard loans:		
Secured	7,061,080	2,897,250
Unsecured	41,076,740	26,187,765
Sub-standard loans:		
Secured	6,189	2,276
Unsecured	27,151	23,355
Doubtful loans:		
Secured	3,773	2,666
Unsecured	13,102	18,959
Loans loss:		
Secured	13,677	5,196
Unsecured	<u>73,058</u>	<u>48,429</u>
	<u>48,274,770</u>	<u>29,185,896</u>

(h) By interest rate (per annum) :

External customers	47,851,569	24% - 42%
Staff loans	<u>423,201</u>	18%
	<u>48,274,770</u>	

8 OTHER ASSETS

	2007 Riel '000	2006 Riel '000
Interest receivable	767,633	525,471
Prepayments and deposits	270,817	49,591
Others	<u>2,397</u>	<u>8,369</u>
	<u>1,040,847</u>	<u>583,431</u>

9 DEFERRED TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes related to the same fiscal authority. The offset amounts are as follows:

	2007 Riel '000	2006 Riel '000
Deferred tax asset	199,077	-
Deferred tax liability	<u>(392)</u>	<u>-</u>
Deferred tax asset (net)	<u>198,685</u>	<u>-</u>

The gross movement on the deferred income tax account is as follows :

	2007 Riel '000	2006 Riel '000
As at 1 January	-	-
Credited to the income statement (Note 25)	<u>198,685</u>	-
As at 31 December	<u><u>198,685</u></u>	-

Deferred tax asset

	Provision for 13th month salary Riel '000	Provision for staff incentive Riel '000	Unrealised loss on exchange Riel '000	Total Riel '000
As at 1 January 2006	-	-	-	-
Credited to the income statement	-	-	-	-
As at 31 December 2006	-	-	-	-
As at 1 January 2007	-	-	-	-
Credited to the income statement	<u>40,336</u>	<u>93,368</u>	<u>65,373</u>	<u>199,077</u>
As at 31 December 2007	<u><u>40,336</u></u>	<u><u>93,368</u></u>	<u><u>65,373</u></u>	<u><u>199,077</u></u>

Deferred tax liability

	Accelerated depreciation Riel '000	Total Riel '000
As at 1 January 2006	-	-
Credited to the income statement	-	-
As at 31 December 2006	-	-
As at 1 January 2007	-	-
Credited to the income statement	<u>(392)</u>	<u>(392)</u>
As at 31 December 2007	<u><u>(392)</u></u>	<u><u>(392)</u></u>

10 PROPERTY AND EQUIPMENT

	Office equipment Riel '000	Motor vehicle Riel '000	Computer Riel '000	Total Riel '000
At 1 January 2006				
Cost	88,543	1,082,941	552,250	1,723,734
Accumulated depreciation	<u>(54,472)</u>	<u>(821,509)</u>	<u>(432,269)</u>	<u>(1,308,250)</u>
Net book amount	<u><u>34,071</u></u>	<u><u>261,432</u></u>	<u><u>119,981</u></u>	<u><u>415,484</u></u>
Year ended 31 December 2006				
Opening net book amount	34,071	261,432	119,981	415,484
Additions	3,373	354,976	68,979	427,328
Disposal - net	-	(2,733)	-	(2,733)
Depreciation charged	<u>(9,360)</u>	<u>(154,029)</u>	<u>(94,481)</u>	<u>(257,870)</u>
Closing net book amount	<u><u>28,084</u></u>	<u><u>459,646</u></u>	<u><u>94,479</u></u>	<u><u>582,209</u></u>

At 31 December 2006

Cost	91,916	1,339,624	562,506	1,994,046
Accumulated depreciation	<u>(63,832)</u>	<u>(879,978)</u>	<u>(468,027)</u>	<u>(1,411,837)</u>
Net book amount	<u><u>28,084</u></u>	<u><u>459,646</u></u>	<u><u>94,479</u></u>	<u><u>582,209</u></u>

Year ended 31 December 2007

Opening net book amount	28,084	459,646	94,479	582,209
Additions	26,030	625,896	147,084	799,010
Disposal - net	(4,341)	(3,091)	(2,172)	(9,604)
Depreciation charged	<u>(13,413)</u>	<u>(271,299)</u>	<u>(120,614)</u>	<u>(405,326)</u>
Closing net book amount	<u><u>36,360</u></u>	<u><u>811,152</u></u>	<u><u>118,777</u></u>	<u><u>966,289</u></u>

At 31 December 2007

Cost	98,793	1,732,165	595,416	2,426,374
Accumulated depreciation	<u>(62,433)</u>	<u>(921,013)</u>	<u>(476,639)</u>	<u>(1,460,085)</u>
Net book amount	<u><u>36,360</u></u>	<u><u>811,152</u></u>	<u><u>118,777</u></u>	<u><u>966,289</u></u>

11 INTANGIBLE ASSETS

	2007 Riel '000	2006 Riel '000
Cost		
At 1 January	16,411	4,124
Additions	<u>58,383</u>	<u>12,287</u>
At 31 December	<u>74,794</u>	<u>16,411</u>
Less: accumulated amortization		
At 1 January	9,236	2,062
Charge for the year	<u>32,779</u>	<u>7,174</u>
At 31 December	<u>42,015</u>	<u>9,236</u>
Net book value		
At 31 December	<u><u>32,779</u></u>	<u><u>7,175</u></u>

12 CUSTOMERS' DEPOSITS

	2007 Riel '000	2006 Riel '000
Compulsory deposits	389,387	521,800
Voluntary deposits	<u>71,471</u>	<u>39,230</u>
	<u><u>460,858</u></u>	<u><u>561,030</u></u>

This account represents the compulsory deposits from customers representing 5% to 10% of their principal loan amounts. Customers receive interest of 1% per month on their savings deposits that will be paid at the maturity of their loans.

The details of customer deposits, by location, are as follows:

	2007 Riel '000	2006 Riel '000
Banteay Meanchey	174,724	104,677
Phnom Penh	91,912	154,498
Kampong Cham	83,306	83,164
Svay Rieng	48,436	72,516
Kandal	18,100	26,021
Battambang	11,214	12,754
Samrong Bati	9,146	25,012
Chhuk	9,132	9,111
Tramkok	8,774	14,014
Siem Reap	6,114	59,263
	<u>460,858</u>	<u>561,030</u>

According to the Central Bank's Prakas No. B07-163 dated 13 December 2007 on Licensing of Micro-Finance Deposit Taking Institutions, TPC decided to stop receiving customer deposits immediately and issued an internal memorandum to all branches for customers to withdraw their deposits. On 25 March 2008, the management submitted a letter to the Central Bank about their intention and the process of transferring customer deposits. However, as at date, there is no response from the Central Bank.

13 BORROWINGS

		2007 Riel '000	2006 Riel '000
Hivos-Triadods Fonds	(i)	8,853,550	4,189,600
Credit Suisse Micro-finance Fund Management Company	(ii)	8,555,250	2,096,640
ASN-NOVIB FONDS	(iii)	5,266,000	-
Foreign Trade Bank of Cambodia	(iv)	4,825,000	-
Catholic Relief Services Cambodia	(v)	4,366,392	567,980
Symbiotics	(vi)	4,003,000	-
National Bank of Cambodia	(vii)	3,600,000	-
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	(viii)	3,293,127	3,122,991
Calvert Foundation	(ix)	1,000,750	-
Other individuals		132,166	107,300
Rural Development Bank of Cambodia		-	2,000,000
Acleda Bank Plc.		-	1,014,250
Micro-finance Alliance Fund		-	402,000
		<u>43,895,235</u>	<u>13,500,761</u>

(i) Hivos-Triadods Fonds

The Company entered into a loan agreement with Hivos-Triadods Fonds on 14 October 2005 and 8 February 2007 for a loan of Riel 4,000 million and Riel 2,000 million respectively. The loan is unsecured, ending no later than 1 January 2009 and 1 April 2010 respectively. The loan bears interest at the rate of 11.50% per annum, exclusive of withholding tax of 14%, on the outstanding loan balance. Payments are on a quarterly basis for interest and principal upon maturity date.

On 6 April 2006 and 9 February 2007, the Company entered into another loan agreement with Hivos-Triadods Fonds for the total amount of THB 37,050,000 (THB 19,550,000 and THB 17,500,000). The loan is unsecured, ending no later than 1 April 2010 and bears interest at the rate of 11.50% per annum, exclusive of withholding tax of 14%, on the outstanding loan balance. Payments are on a quarterly basis for interest and principal upon maturity date.

The loan period can be renewed annually for one year, up to a maximum period of 3 years, ending no later than 1 January 2009 for the loan amount of Riel 2,000 million and 1 April 2010 for the rest of loan.

(ii) Credit Suisse Micro-finance Fund Management Company

The Company entered into promissory notes with Credit Suisse Micro-finance Fund Management Company on 9 February 2007 and 3 October 2007 for a loan amount of THB 37,470,000 (THB 18,750,000 and THB 16,000,000). The loan bears interest at a rate of 11.50% per annum, exclusive of withholding tax of 14%, and both the annual interest and the principal amount will be due for full payment on 9 February 2008 and 3 October 2008 respectively.

On 7 September and December 2007, the Company entered into promissory notes with Credit Suisse Micro-finance Fund Management Company for a loan amount of US\$1,000,000 (US\$ 500,000 each). The loan bears interest at a rate of 10.00% per annum, exclusive of withholding tax of 14%, and the interest shall be paid semiannually and the principal amount will be due for full payment on 7 September and December 2009.

(iii) ASN-NOVIB FONDS

The Company entered into a loan agreement with ASN-Novib Fonds on 16 May 2007 for an aggregate amount of US\$1 million and is denominated in two currencies US Dollar and Khmer Riel (US\$ 0.5 million and Riel 2,039 million). The loan bears interest at a rate of 9% and 13.00% per annum for US Dollar and Khmer Riel, exclusive of withholding tax of 14%, with semiannually interest payment. The Loan shall be for a period of three years for US Dollar and two years for Khmer Riel from the commencement date thereof, ending no later than 31 May 2010 and 31 May 2009 for US Dollar and Khmer Riel respectively.

On 9 August 2007, the Company entered into a loan agreement with ASN-Novib Fonds for a loan amount of Riel 1,225.5 million. The loan bears interest at a rate of 13% per annum, exclusive of withholding tax of 14%, with semiannually interest payment. The Loan shall be for a period of two years from the commencement date thereof, ending no later than 31 August 2009.

(iv) Foreign Trade Bank of Cambodia

The Company entered into a loan agreement with Foreign Trade Bank of Cambodia on 14 August and 12 November 2007 for an aggregate amount of Riel 4,825 million (Riel 2,025 million and Riel 2,800 million). The loan bears interest at a rate of 9% per annum with monthly interest payment. The Loan shall be for a period of one year, ending no later than 14 August and 12 November 2008 respectively.

(v) **Catholic Relief Services Cambodia**

This interest free loan of US\$100,000 entered into a loan agreement between Catholic Relief Services, Cambodia Program, a minority shareholder, and the Company dated 17 February 2005 and shall be for a period of one year subject to annual renewal with 30 days advance notice for termination and full withdrawal.

On 6 September 2007, the Company entered into a loan agreement with Catholic Relief Services for a loan of Riel 3,966,091,798. The loan is converted from TPC's Hybrid Capital and for a period of forty four months payable at maturity. Interest rate is subject to a previous year NBC average fixed deposit rate for 12 months plus one percent, exclusive of withholding tax of 15%, and paid semiannually.

(vi) **Symbiotics**

On 9 August 2007, the company entered into promissory notes with Dual Return Fund S.I.C.A.V for a loan amount of US\$ 500,000. The loan bears interest at a rate of 9% per annum, exclusive of withholding tax of 14%, and the interest shall be paid semiannually. The principal amount US\$ 250,000 will be due on 9 February 2009 and another US\$ 250,000 on 9 August 2009.

On 15 October 2007, the company entered into promissory notes with Finethic Microfinance, Société en Commandite par Actions (S.C.A.) for a loan amount of US\$ 500,000. The loan bears interest at a rate of 9% per annum, exclusive of withholding tax of 14%, and the interest shall be paid semiannually. The principal amount US\$ 250,000 will be due on 15 April 2009 and another US\$ 250,000 on 15 October 2009.

(vii) **National Bank of Cambodia**

The Company entered into a loan agreement with National Bank of Cambodia on 29 August and 25 September 2007 for an aggregate amount of Riel 3,600 million (Riel 1,200 million and Riel 2,400 million). The loan bears interest at a rate of 6% per annum with monthly interest payment. The Loan shall be for a period of six months, ending no later than 21 February and 17 March 2008 respectively.

(viii) **Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.**

The loan agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) was finalized and signed on 13 September 2005 for an aggregate amount of US\$ 750,000 and is denominated in three currencies, US Dollar, Thai Baht and Khmer Riel not exceeding the equivalent of US\$ 250,000 each. The loan is unsecured, matures in 3 years with an 18 month grace period on the principal with a final maturity date on 15 July 2009 and bears interest 9.83%, 11.24% and 11.95% per annum for US Dollar, Thai Baht and Khmer Riel respectively, exclusive of withholding tax of 14%, on the declining balance. Repayments are on a semiannual basis for both interest and principal.

(ix) **Calvert Foundation**

On 18 September 2007, the Company entered into promissory notes with Calvert Social Investment Foundation, INC, for a loan amount of US\$ 250,000. The loan bears interest at a rate of 8.75% per annum, exclusive

of withholding tax of 14%, and the interest shall be paid quarterly. The principal amount will be due for full payment on 21 September 2010.

14 DEFERRED GRANT INCOME

This account is originally represented by grant received from CRS for three motor vehicles amounting to Riel 231,958 thousand.

	2007 Riel '000	2006 Riel '000
At beginning of the year	51,511	68,681
Amortisation of grant income during the year	<u>(12,878)</u>	<u>(17,170)</u>
	<u>38,633</u>	<u>51,511</u>

15 ACCRUALS AND OTHER LIABILITIES

	2007 Riel '000	2006 Riel '000
Interest payable	899,521	202,561
Staff incentive	466,839	254,331
Staff bonus	201,681	148,157
Withholding tax payable	74,684	28,846
Others	<u>84,146</u>	<u>44,832</u>
	<u>1,726,871</u>	<u>678,727</u>

16 CURRENT INCOME TAX LIABILITIES

	2007 Riel '000	2006 Riel '000
Balance at beginning of year	640,786	331,478
Current tax (Note 25)	1,138,363	720,209
Income tax paid	<u>(765,269)</u>	<u>(410,901)</u>
	<u>1,013,880</u>	<u>640,786</u>

17 SHARE CAPITAL

The details of shareholding are as follows:

	2007 Riel '000	2006 Riel '000
40,000 shares of RIEL 100,000 each:		
Catholic Relief Services	3,920,000	3,920,000
Ms. Elizabeth Obed Abrera	40,000	40,000
Mr. Richard Balmadier	<u>40,000</u>	<u>40,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>

Based on the articles of incorporation, the Company's registered, issued and fully paid capital amounted to Riel 4,000,000,000 represented by 40,000 ordinary shares, each having an issue price of Riel 100,000. Each share will have one vote and will participate equally in all dividends and other distributions of the Company.

18 HYBRID CAPITAL

On 27 April 2007, the Board has approved to convert TPC's hybrid capital amounting to Riel 3,966,092 thousand into borrowings as per the transfer agreement. The borrowings will be for a period of forty four months payable at maturity (see Note 13 - v for more detail).

On 18 May 2007, the management submitted a letter to the Central Bank for their approval. On 6 September 2007, the Central Bank has approval on the above requested letter.

19 INTEREST INCOME

	2007 Riel '000	2006 Riel '000
Loans to customers	14,331,848	8,967,578
Balances with banks	<u>175,462</u>	<u>20,936</u>
	<u>14,507,310</u>	<u>8,988,514</u>

20 INTEREST EXPENSES

	2007 Riel '000	2006 Riel '000
Borrowings	3,203,043	1,119,329
Customers' deposits	<u>53,495</u>	<u>136,274</u>
	<u>3,256,538</u>	<u>1,255,603</u>

21 GRANT INCOME

During the year, the Company receives grant income in-kind or subsidies as follows:

	2007 Riel '000	2006 Riel '000
Triodos Fund grant for general training	33,849	-
ADB grant for technical fees	26,528	17,566
CGAP for rating evaluation	24,288	-
Amortisation of grant income from CRS	12,878	17,170
URCI grant for training	8,701	-
Microfinance SHA Fund grant for training	2,012	-
USAID-PACT grant for DPAT practicality test	-	89,292
Micro-finance Alliance Fund grant for general training	<u>-</u>	<u>8,204</u>
	<u>108,256</u>	<u>132,232</u>

22 OTHER OPERATING (LOSS)/INCOME

	2007 Riel '000	2006 Riel '000
Foreign exchange gain/(loss) - net	(339,917)	325,482
Recovery from loans written off	65,028	44,295
Penalty income	9,688	9,231

Gain on disposal of fixed assets	616	12,299
Other income	2,664	3,164
Reversal on import tax of motor vehicles	<u>-</u>	<u>59,081</u>
	<u>(261,921)</u>	<u>453,552</u>

23 COMMISSION EXPENSES

The commission expenses represent payments towards the Group Leader ("GL"), Village Leader ("VL") and key person (including commune leader, district leader and other influential person). The basis of the incentive is calculated at a maximum rate of 2%, 3% and 5% of interest amount collected for GL, VL and key person respectively.

24 OPERATING AND OTHER EXPENSES

	2007 Riel '000	2006 Riel '000
Staff costs	3,558,846	2,535,521
Depreciation and amortization	438,105	265,044
Traveling expenses	436,259	297,771
Bank and service charge and other fees	256,385	136,838
Office rentals	242,946	181,483
Professional services	209,856	94,471
Office supplies and equipment	153,761	131,650
Utilities	102,597	78,832
Communication	80,681	68,115
Photocopy and printing	79,267	71,055
Other expenses	<u>272,743</u>	<u>120,991</u>
	<u>5,831,446</u>	<u>3,981,771</u>

25 INCOME TAX

a) Tax on profit expenses

	2007 Riel '000	2006 Riel '000
Current tax	1,138,363	720,209
Deferred tax assets (Note 9)	<u>(198,685)</u>	<u>-</u>
	<u>939,678</u>	<u>720,209</u>

b) Accounting profit reconciliation

	2007 Riel '000	2006 Riel '000
Income before income tax	4,639,262	3,890,965
Profit tax at 20%	927,852	778,193
Expense not deductible for tax purposes	11,826	56,155
Income not subject to tax	-	(115,029)
Others	<u>-</u>	<u>890</u>
	<u>939,678</u>	<u>720,209</u>

c) Other tax matters

The Company's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

26 NET CASH USED IN OPERATING ACTIVITIES

	2007 Riel '000	2006 Riel '000
Profit before income tax	4,639,262	3,890,965
Adjustments for:		
Depreciation and amortization	438,105	265,044
Amortisation of grant income	(12,878)	(17,170)
Provision for doubtful loans	112,830	81,395
Gain on disposal of fixed assets	<u>(616)</u>	<u>(12,299)</u>
Operating profit before changes in operating assets and liabilities	5,176,703	4,207,935
Decrease/(increase) in:		
Statutory deposits	(2,500)	(2,700)
Loans to customers	(19,169,246)	(11,209,386)
Other receivables	(457,416)	(232,679)
Increase/(decrease) in:		
Deposits from customers	(100,172)	(1,516,547)
Other liabilities	<u>1,048,144</u>	<u>283,803</u>
Cash used in operations	(13,504,487)	(8,469,574)
Income tax paid	<u>(765,269)</u>	<u>(410,901)</u>
Net cash used in operating activities	<u>(14,269,756)</u>	<u>(8,880,475)</u>

27 CASH AND CASH EQUIVALENTS

	2007 Riel '000	2006 Riel '000
Cash on hand (Note 4)	158,429	58,556
Current account and fixed deposit with the Central Bank (Note 5)	3,607,588	500
Balance with banks (Note 6)	<u>8,186,823</u>	<u>582,333</u>
	<u>11,952,840</u>	<u>641,389</u>

28 LEASE COMMITMENT

The Company leases various offices under cancelable operating lease agreements. The Company is required to give one to two month's notice for the termination of these agreements. The lease expenditure charged to office rentals in the income statement during the year is disclosed in Note 24.

29 RELATED PARTY TRANSACTIONS

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

	2007 Riel '000	2006 Riel '000
Key management		
Salary and other benefits	<u>660,558</u>	<u>479,316</u>
Interest expenses		
Catholic Relief Services Cambodia	<u>116,520</u>	<u>-</u>
Interest incomes		
Staff loans	<u>78,258</u>	<u>56,203</u>

Year end balances arising from related party transactions are as follows:

	2007 Riel '000	2006 Riel '000
Staff loans	423,201	340,776
Borrowings		
Catholic Relief Services Cambodia	<u>4,366,392</u>	<u>567,980</u>
	<u>4,789,593</u>	<u>908,756</u>

30 SUBSEQUENT EVENTS

On 4 April 2007, BOD has agreed and approved to transfer Riel 486,600 thousand from Catholic Relief Services shares to TPC Employee Share Ownership Program (TPC ESOP). Further to this, the Company received an approval from the Central Bank and Ministry of Commerce on the revision of the Company share structure on 16 Jan 2008, which is presented below :

	2007 Riel '000	2006 Riel '000
40,000 shares of RIEL 100,000 each:		
Catholic Relief Services	3,433,400	3,920,000
TPC ESOP	486,600	-
Ms. Elizabeth Obed Abrera	40,000	40,000
Mr. Richard Balmadier	<u>40,000</u>	<u>40,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>

31 CURRENCY ANALYSIS

An analysis of TPC's assets and liabilities by currency (in Riel '000) are as follows:

	US\$	Thai Baht	Riel	Total
ASSETS				
Cash on hand	10,220	40,330	107,879	158,429
Balance with the Central Bank	3,603,100	-	209,688	3,812,788
Balances with banks	6,376,903	1,401,433	408,487	8,186,823
Loans to customers	800,739	9,055,025	38,323,874	48,179,638
Other assets	155,035	158,713	727,099	1,040,847
Deferred tax assets	-	-	198,685	198,685
Property and equipment	-	-	966,289	966,289
Intangible assets	-	-	32,779	32,779
Total Assets	10,945,997	10,655,501	40,974,780	62,576,278
LIABILITIES				
Customers' deposits	6,275	174,724	279,859	460,858
Borrowing	12,541,466	10,671,927	20,681,842	43,895,235
Deferred grant income	-	-	38,633	38,633
Accruals and other liabilities	328,001	908,290	490,580	1,726,871
Current income tax liabilities	-	-	1,013,880	1,013,880
Total Liabilities	12,875,742	11,754,941	22,504,794	47,135,477
Net (liability)/ assetposition	(1,929,745)	(1,099,440)	18,469,986	15,440,801
As at 31 December 2006				
Total Assets	339,100	6,082,190	24,718,834	31,140,124
Total Liabilities	2,809,124	5,856,480	6,767,211	15,432,815
Net (liability)/asset position	(2,470,024)	225,710	17,951,623	15,707,309

32 MATURITY PROFILE

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

	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity date	Total
ASSETS							
Cash on hand	158,429	-	-	-	-	-	158,429
Deposits with the Central Bank	10,088	3,602,700	-	-	-	200,000	3,812,788
Balances with banks	3,383,223	-	4,803,600	-	-	-	8,186,823
Loans to customers	4,733,621	9,956,627	33,489,390	-	-	-	48,179,638
Other assets	986,592	15,473	23,211	15,571	-	-	1,040,847
Deferred tax assets	-	-	-	-	-	198,685	198,685
Property and equipment	22,606	45,211	203,450	695,022	-	-	966,289
Intangible assets	1,366	2,732	12,292	16,389	-	-	32,779
Total Assets	9,295,925	13,622,743	38,531,943	726,982	-	398,685	62,576,278
LIABILITIES							
Customers' deposits	460,858	-	-	-	-	-	460,858
Borrowings	955,448	3,656,250	12,144,282	27,139,255	-	-	43,895,235
Deferred grant income	805	1,610	7,243	28,975	-	-	38,633
Accruals and other liabilities	393,327	903,855	429,689	-	-	-	1,726,871
Current income tax liabilities	-	1,013,880	-	-	-	-	1,013,880
Total Liabilities	1,810,438	5,575,595	12,581,214	27,168,230	-	-	47,135,477
Net liquidity surplus/(gap)	7,485,487	8,047,148	25,950,729	(26,441,248)	-	398,685	15,440,801
As at 31 December 2006							
Total Assets	5,230,598	5,810,438	19,441,559	416,624	-	240,905	31,140,124
Total Liabilities	1,249,336	1,549,235	8,904,640	3,729,604	-	-	15,432,815
Net liquidity surplus/(gap)	3,981,262	4,261,203	10,536,919	(3,312,980)	-	240,905	15,707,309