

THANEAKEA PHUM (CAMBODIA) LTD.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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DIRECTORS' REPORT

The Board of Directors (the Directors) hereby submits their report together with the audited financial statements of Thaneakea Phum (Cambodia) Ltd. (the Company) for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide micro-finance services to the rural population of Cambodia through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia. Its corporate objective is to provide reliable and affordable access to financial services to micro-entrepreneurs.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2013 is set out in the income statement on page 7.

On 11 April 2013, dividends amounting to KHR886 million were declared and paid on 20 May 2013 in respect of the Company's net profit for the year ended 31 December 2012 (2012: KHR586 million from 2011 net profit).

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the 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 bad and 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 Directors are not aware of any circumstances which would render the amount written off for bad loans or the amount of allowance for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

ASSETS

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

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Company that has arisen since the end of the year that secures the liabilities of any other person; or
- (b) no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the year that, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

There were no items, transactions or events of a material and unusual nature that, in the opinion of the Directors, materially affected the financial performance of the Company for the year ended 31 December 2013.

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

THE BOARD OF DIRECTORS

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

- Mrs. Fernanda Pecanha Lacerda De Lima Chairperson (non-executive)
- Mr. Chandula Palith Abeywickrema Director, (non-executive)
- Mr. Christophe Forsinetti Director, (non-executive)
- Mrs. Jessica Moffett-Rose Director, (non-executive)
(resigned on 01 February 2013)
- Mr. Hans Michael Theodor Moormann Director, (non-executive)
(appointed on 01 February 2013)
- Mr. Vann Saroeun Director, (non-executive)
(appointed on 01 February 2013)

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

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and cash flows for the year ended. In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies that are supported by reasonable and prudent judgements and estimates, and then apply them consistently;
- ii) comply with the disclosure requirements and the guidelines issued by the Central Bank and Cambodian Accounting Standards or, if there has been any departure from such standards in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company and be involved in all material decisions affecting its operations and performance and ascertain that such matters have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and cash flows for the year ended in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank, were approved by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors.



Mr. Vann Saroeun
Director
THANAM KUMUM
(CAMBODIA) LTD.
Phnom Penh, Kingdom of Cambodia
Date: 27 FEB 2014



Independent auditor's report

To the Shareholders of Thaneakea Phum (Cambodia) Ltd.

We have audited the accompanying financial statements of Thaneakea Phum (Cambodia) Ltd. (the Company), which comprise the balance sheet as at 31 December 2013, and the income statement, the statement of changes in equity and the cash flow statement for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Cambodian Accounting Standards and guidelines of the Central Bank, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year ended in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank.

For PricewaterhouseCoopers (Cambodia) Ltd.




By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
Date: 27 February 2014

THANEAKEA PHUM (CAMBODIA) LTD.

**BALANCE SHEET
AS AT 31 DECEMBER 2013**

	Note	2013		2012	
		KHR '000	US\$	KHR '000	US\$
ASSETS					
Cash on hand	4	1,324,774	331,608	939,095	235,068
Balances with the Central Bank	5	18,589,131	4,653,099	12,577,176	3,148,229
Balances with banks	6	48,917,665	12,244,722	32,365,810	8,101,579
Loans to customers	7	298,965,299	74,834,868	192,985,045	48,306,645
Investment		59,925	15,000	59,925	15,000
Other assets	8	7,979,127	1,997,279	5,206,044	1,303,140
Property and equipment	9	3,210,723	803,685	2,391,649	598,661
Intangible assets	10	9,285	2,324	18,570	4,648
Deferred tax assets	11	570,258	142,743	200,693	50,236
TOTAL ASSETS		379,626,187	95,025,328	246,744,007	61,763,206
LIABILITIES AND EQUITY					
LIABILITIES					
Compulsory savings	12	-	-	155,478	38,918
Bank overdraft	13	1,922,559	481,241	-	-
Borrowings	14	295,963,017	74,083,358	191,839,632	48,019,933
Other payables	15	9,442,674	2,363,623	8,069,777	2,019,969
Deferred grant income		6,876	1,722	9,168	2,295
Current income tax liabilities	11	4,022,431	1,006,866	1,759,349	440,388
TOTAL LIABILITLIES		311,357,557	77,936,810	201,833,404	50,521,503
EQUITY					
Share capital	16	23,368,200	5,849,362	12,176,400	3,047,910
Reserves		3,107,877	777,941	2,531,770	633,735
Subordinated debt		-	-	4,064,000	1,017,272
Retained earnings		41,792,553	10,461,215	26,138,433	6,542,786
TOTAL EQUITY		68,268,630	17,088,518	44,910,603	11,241,703
TOTAL LIABILITIES AND EQUITY		379,626,187	95,025,328	246,744,007	61,763,206

The accompanying notes on pages 10 to 44 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013		2012	
		KHR '000	US\$	KHR '000	US\$
Interest income	17	76,235,779	19,082,798	50,002,257	12,516,210
Interest expense	18	(22,497,128)	(5,631,321)	(16,382,217)	(4,100,680)
Net interest income		53,738,651	13,451,477	33,620,040	8,415,530
Provision for bad and doubtful loans	7	(320,251)	(80,163)	(411,695)	(103,053)
Net interest income after provision for bad and doubtful loans		53,418,400	13,371,314	33,208,345	8,312,477
Other income	19	885,829	221,734	628,070	157,214
Commission expenses	20	(1,159,147)	(290,149)	(690,790)	(172,914)
Personnel expenses	21	(20,824,702)	(5,212,691)	(13,824,745)	(3,460,512)
Depreciation and amortisation charges		(1,353,129)	(338,706)	(1,039,706)	(260,252)
General and administrative expenses	22	(9,245,441)	(2,314,253)	(6,985,662)	(1,748,601)
Net foreign exchange loss		(256,506)	(64,207)	(161,895)	(40,524)
Operating profit		21,465,304	5,373,042	11,133,617	2,786,888
Grant income		2,292	574	3,056	765
Profit before income tax		21,467,596	5,373,616	11,136,673	2,787,653
Income tax expense	11	(4,350,927)	(1,089,093)	(2,269,139)	(567,995)
Profit for the year		17,116,669	4,284,523	8,867,534	2,219,658

The accompanying notes on pages 10 to 44 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	Share capital KHR'000	Reserves KHR'000	Subordinated debt KHR'000	Retained earnings KHR'000	Total KHR'000
As at 01 January 2012		6,176,400	1,955,663	-	24,433,764	32,565,827
Additional share capital		6,000,000	-	-	(6,000,000)	-
Dividends paid	23	-	-	-	(586,758)	(586,758)
Transfers to reserves		-	576,107	-	(576,107)	-
Profit for the year		-	-	-	8,867,534	8,867,534
Subordinated debt		-	-	4,064,000	-	4,064,000
As at 31 December 2012		<u>12,176,400</u>	<u>2,531,770</u>	<u>4,064,000</u>	<u>26,138,433</u>	<u>44,910,603</u>
Equivalent in US\$		<u>3,047,910</u>	<u>633,735</u>	<u>1,017,272</u>	<u>6,542,786</u>	<u>11,241,703</u>
As at 01 January 2013		12,176,400	2,531,770	4,064,000	26,138,433	44,910,603
Additional share capital		7,127,800	-	-	-	7,127,800
Conversion of subordinated debt to capital		4,064,000	-	(4,064,000)	-	-
Dividends paid	23	-	-	-	(886,442)	(886,442)
Transfers to reserves		-	576,107	-	(576,107)	-
Profit for the year		-	-	-	17,116,669	17,116,669
As at 31 December 2013		<u>23,368,200</u>	<u>3,107,877</u>	<u>-</u>	<u>41,792,553</u>	<u>68,268,630</u>
Equivalent in US\$		<u>5,849,362</u>	<u>777,941</u>	<u>-</u>	<u>10,461,215</u>	<u>17,088,518</u>

The accompanying notes on pages 10 to 44 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013		2012	
		KHR '000	US\$	KHR '000	US\$
Cash flows from operating activities					
Profit before income tax		21,467,596	5,373,616	11,136,673	2,787,653
<i>Adjustments for:</i>					
Depreciation and amortisation		1,353,129	338,706	1,039,706	260,252
Deferred grant income		(2,292)	(574)	(3,056)	(765)
Allowance for bad and doubtful loans		320,251	80,163	411,695	103,053
Loss on disposals of property and equipment		5,727	1,434	23,018	5,762
Net interest income		(53,738,651)	(13,451,477)	(33,620,040)	(8,415,529)
		<u>(30,594,240)</u>	<u>(7,658,132)</u>	<u>(21,012,004)</u>	<u>(5,259,574)</u>
<i>Changes in working capital</i>					
Balances with banks		(6,902,478)	(1,727,779)	(685,753)	(171,653)
Balances with the Central Bank		(9,787,750)	(2,450,000)	950,970	238,040
Loans to customers		(106,300,505)	(26,608,387)	(59,652,877)	(14,931,884)
Other assets		(843,597)	(211,162)	(403,307)	(100,953)
Compulsory savings		(155,478)	(38,918)	(136,978)	(34,287)
Other liabilities		2,315,663	579,640	5,387,500	1,348,561
		<u>(152,268,385)</u>	<u>(38,114,738)</u>	<u>(75,552,449)</u>	<u>(18,911,750)</u>
Interest income received		74,306,293	18,599,823	49,073,643	12,283,766
Interest expense paid		(23,439,894)	(5,867,308)	(17,363,975)	(4,346,427)
Income tax paid		(2,457,410)	(615,122)	(1,771,639)	(443,464)
		<u>(103,859,396)</u>	<u>(25,997,345)</u>	<u>(45,614,420)</u>	<u>(11,417,875)</u>
Cash flows from investing activities					
Reserve deposits with the Central Bank		(559,590)	(140,073)	(300,000)	(75,094)
Purchases of property and equipment		(2,171,178)	(543,474)	(1,903,234)	(476,404)
Purchases of computer software		-	-	(29,731)	(7,442)
Proceeds from disposals of property and equipment		2,533	634	-	-
Investment		-	-	660	165
		<u>(2,728,235)</u>	<u>(682,913)</u>	<u>(2,232,305)</u>	<u>(558,775)</u>
Cash flows from financing activities					
Proceeds from borrowings		198,568,364	49,704,221	98,716,035	24,709,896
Repayments on borrowings		(94,444,979)	(23,640,796)	(54,589,776)	(13,664,525)
Proceeds from subordinated debt		-	-	4,064,000	1,017,272
Proceeds from paid up capital		7,127,800	1,784,180	-	-
Dividend paid	23	(886,442)	(221,888)	(586,758)	(146,873)
		<u>110,364,743</u>	<u>27,625,717</u>	<u>47,603,501</u>	<u>11,915,770</u>
Net increase/(decrease) in cash and cash equivalents					
		3,777,112	945,459	(243,224)	(60,880)
Cash and cash equivalents at the beginning of the year		24,103,115	6,033,321	24,346,339	6,027,814
Currency translation differences		-	-	-	66,387
Cash and cash equivalents at the end of the year	24	<u>27,880,227</u>	<u>6,978,780</u>	<u>24,103,115</u>	<u>6,033,321</u>

The accompanying notes on pages 10 to 44 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. BACKGROUND INFORMATION

Thaneakea Phum (Cambodia) Ltd. (the Company), a licensed micro-finance institution, is incorporated in Cambodia and registered with the Ministry of Commerce as a limited liability company under registration number Co. 1413/02E, dated 23 May 2002.

The Company as a micro-finance institution is primarily a rural-based credit institution with 46 office locations (19 branches and a head office in Phnom Penh). The Company's corporate focus is on providing reliable and affordable access to financial services to micro-entrepreneurs. Out of a total of 24 provinces and cities in Cambodia, the Company operates in 19 provinces, namely Takeo, Kampot, Battambang, Svay Rieng, Banteay Meanchey, Siem Reap, Kampong Cham, Kandal, Kratie, Kampong Chhnang, Kampong Thom, Kampong Speu, Prey Veng, Oddar Meanchey, Kep, Ratanakiri, Pailin, Pursat and Phnom Penh capital city. Financial services are provided either through village banks made up of solidarity groups of two to seven members each as well as to individuals.

The National Bank of Cambodia (the Central Bank) granted the Company a licence to conduct business as a micro-finance institution for a three-year period commencing from 12 February 2003 to 12 February 2006. On 20 January 2006, the Central Bank granted the extension of the Company's licence for another three-year period commencing from 12 February 2006 to 12 February 2009. The Company was then granted a licence for indefinite period on 14 January 2009 from the Central Bank.

The Company's head office is at No. 94, Street 360, Boeung Keng Kang III, Chamkarmon, Phnom Penh, Cambodia.

As at 31 December 2013, the Company had 874 employees (31 December 2012: 695 employees).

The financial statements were approved for issue by the Board of Directors on 27 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Company, which are expressed in Khmer Riel ("KHR"), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards (CAS) and the guidelines of the Central Bank.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBERE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2 Financial reporting framework

On 28 August 2009, the National Accounting Council (NAC) of the Ministry of Economy and Finance (MoEF) announced the adoption of Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by International Accounting Standard Board including other interpretation and amendment that may occur in any circumstances to each standard by adding "Cambodian". Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

The NAC of the MoEF through Circular No. 086 MoEF.NAC dated 30 July 2012 approves banks and financial institutions to delay adoption of CIFRS until the periods beginning on or after 1 January 2016.

The first financial statement of the Company which will be prepared under CIFRS is the year ending 31 December 2016. CAS, the current accounting standard used, is different to CIFRS in many areas. Hence, the adoption of CIFRS will have some impacts on the financial statements of the Company.

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The Company maintains its accounting records and its financial statements in KHR, the Company's functional currency. The financial statements are presented in KHR, which is the Company's functional and presentation currency.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(ii) Transactions and balances

Transactions in currencies other than KHR, the functional and presentation currency, are translated into KHR at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlements of such transactions and from the translation at year-end exchange rates of monetary and liabilities denominated in currencies other than KHR, are recognised in the income statement.

The principal rates used to translate monetary assets and liabilities denominated in other currencies into KHR at the balance sheet date are:

	31 December 2013	31 December 2012
US Dollars (US\$)	3,995	3,995
Thai Baht (THB)	122.5	131.0

Such translation amounts are unaudited and should not be construed as representations that the KHR amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

2.4 Basis of aggregation

The financial statements comprise the financial statements of the head office and the branch offices after the elimination of all significant inter-branch balances and transactions.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted balances with the Central Bank, and balances with banks, and other short-term highly liquid investments with original maturities of three months or less where the Company has full ability to withdraw for general purpose whenever needed.

Bank overdrafts are shown in liabilities on the balance sheet.

2.6 Loans to customers

Loans to customers are stated in the balance sheet at the amount of the principal outstanding less any amounts written off and provision for bad and doubtful loans.

Loans are written off when there is no realistic prospect of recovery. Recovery of previously written-off loans is recognised in the income statement.

2.7 Provision for bad and doubtful loans

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBERE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provision for bad and doubtful loans (continued)

The Company follows the mandatory credit classification and provisioning as required Prakas B7-02-186 dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes and ensure that the minimum mandatory level of specific provisioning is provided:

Classification	Number of days past due	Provision
<i>Short-term loans (less than one year)</i>		
Standard	0 - 29 days	0%
Substandard	30 - 59 days	10%
Doubtful	60 - 89 days	30%
Loss	90 days or more	100%
<i>Long-term loans (more than one year)</i>		
Standard	0 - 29 days	0%
Substandard	30 - 179 days	10%
Doubtful	180 - 359 days	30%
Loss	360 days or more	100%

The specific allowance is calculated as a percentage of the loans outstanding at the time the loan is classified and is charged as an expense in the income statement.

The Company provides for a 100% provision for loan losses for any loan overdue more than or equal to 30 days. The amount of provision in excess of the defined percentages required by the Central Bank is shown as general provision.

Loans are written off when they are considered uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for loan loss.

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

2.8 Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance are charged to the income statement during the financial period in which they are incurred.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property and equipment (continued)

Depreciation of property and equipment is charged to the income statement on a declining balance method at the following annual rates:

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

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

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.

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

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

2.9 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised on a declining method at the rate of 50% per annum.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

2.11 Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities amortised on straight line basis over the period of each borrowing facilities to the income statement.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBERE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Subordinated debts

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, if otherwise, it is treated as equity. The subordinated debts which are approved by the Central Bank are included as a Tier II line item in the calculation of the Company's net worth in accordance with the guidelines of the Central Bank.

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.14 Interest income and expense recognition

Interest income on loans to customers, balances with the Central Bank and balances with banks are recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest income on loans to customers is suspended until it is realised on a cash basis.

Interest expenses on borrowings and subordinated debts are recognised on an accrual basis.

2.15 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.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBERE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Related party transactions

Parties are considered to be related 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.

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

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in Cambodia where the Company operates and generates taxable income.

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. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

2.18 Reserves

(i) Legal reserve

In accordance with the Articles of Incorporation, the Company is required to transfer 5% of its prior year's profit to the reserves. Transfer to legal reserve will cease when the total reserve (legal and other reserve) equals 10% of the registered share capital of the Company.

(ii) Other reserve

According to the loan agreement between Instituto De Crédito Oficial (ICO) of the Kingdom of Spain and the Company, the Company is required, during the life of the loan, to transfer each year to other reserves 3.5% of outstanding principal of the loan from ICO, under the Spanish Microfinance Program. The other reserves are for Institutional Strengthening, and still retained in the other reserves account of the life of the loan, except otherwise agrees by ICO.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Dividend

Dividend distribution to the Company's shareholders is recognised as liability in the period in which they are approved by the Company's shareholders.

Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Provision for bad and doubtful loans

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 of the Central Bank. The Central Bank requires micro-finance institutions to classify their loan portfolios into four classes, and a minimum mandatory level of provision is made depending on the classification concerned. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

The Company provides for a 100% provision for loan losses for any loan overdue more than 30 days. The amount of provision in excess of the defined percentages required by the Central Bank is shown as additional provision.

3.2 Income tax

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expense will be made following inspection by the General Department of Taxation. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3.3 Functional currency

The Board of Directors considers that KHR represents the economic effect of the underlying transactions, events and conditions. The KHR is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from and pays dividends to its shareholders. KHR is the currency of the Cambodia.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. CASH ON HAND

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Head office	2,000	501	2,000	501
Branches	1,322,774	331,107	937,095	234,567
	<u>1,324,774</u>	<u>331,608</u>	<u>939,095</u>	<u>235,068</u>

5. BALANCES WITH THE CENTRAL BANK

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Current accounts	4,421,771	1,106,826	8,757,156	2,192,029
Term deposits (i)	12,983,750	3,250,000	3,196,000	800,000
Statutory deposits (ii)	1,168,410	292,468	608,820	152,395
Reserve deposits (iii)	15,200	3,805	15,200	3,805
	<u>18,589,131</u>	<u>4,653,099</u>	<u>12,577,176</u>	<u>3,148,229</u>

- (i) Term deposits are for a period of six months with the Central Bank with interest rates ranging from 0.17% to 0.19% per annum.
- (ii) In compliance with the Central Bank's Prakas No. B700-006 on the licensing of micro-finance institutions, the Company maintains a minimum statutory deposit equal to 5% of its share capital of KHR23,368,200 thousands as at 31 December 2013 in an interest-earning account with the Central Bank (3% per annum following the Central Bank's Prakas No. 06.210).
- (iii) Prakas B702-45 requires that licensed micro-finance institutions shall place 5% of their deposits into an account maintained with the Central Bank. The reserve deposit does not earn any interest.

6. BALANCES WITH BANKS

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Current accounts	7,390,456	1,849,927	2,613,425	654,173
Fixed accounts	30,468,677	7,626,703	25,365,120	6,349,217
Savings accounts	11,058,532	2,768,092	4,387,265	1,098,189
	<u>48,917,665</u>	<u>12,244,722</u>	<u>32,365,810</u>	<u>8,101,579</u>

Current accounts are non-interest bearing. Annual interest rates on fixed accounts and savings accounts are ranging from 0.50% - 4.75% per annum (31 December 2012: 0.50% - 4.75%).

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

7. LOANS TO CUSTOMERS

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Thaneakea Phum loans:				
End of cycle	103,560,276	25,922,472	71,414,811	17,876,048
Solidarity group loans:				
Fixed term	28,096,247	7,032,853	21,270,627	5,324,312
Individual loans:				
Fixed term	123,278,831	30,858,281	76,162,697	19,064,505
End of cycle	41,877,611	10,482,506	23,159,936	5,797,231
Staff loans	2,598,469	650,430	1,360,932	340,659
	<u>299,411,434</u>	<u>74,946,542</u>	<u>193,369,003</u>	<u>48,402,755</u>
Provision for bad and doubtful loans:				
Specific provision	(259,684)	(65,002)	(178,339)	(44,641)
General provision	(186,451)	(46,672)	(205,619)	(51,469)
	<u>(446,135)</u>	<u>(111,674)</u>	<u>(383,958)</u>	<u>(96,110)</u>
Net loans to customers	<u>298,965,299</u>	<u>74,834,868</u>	<u>192,985,045</u>	<u>48,306,645</u>

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

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
At beginning of the year	383,958	96,110	170,503	42,214
Provision for the year	320,251	80,163	411,695	103,053
Bad debts written off	(255,695)	(64,004)	(196,714)	(49,240)
Loss on foreign exchange	(2,379)	(595)	(1,526)	(382)
Currency translation differences	-	-	-	465
At end of the year	<u>446,135</u>	<u>111,674</u>	<u>383,958</u>	<u>96,110</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013**

7. LOANS TO CUSTOMERS (continued)

Loans to customers are analysed as follows:

(a) By economic sector

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Agriculture	166,138,444	41,586,594	109,127,452	27,316,009
Trade and commerce	49,440,466	12,375,586	33,275,757	8,329,351
Services	26,488,312	6,630,366	17,676,038	4,424,540
Household/family	48,533,202	12,148,486	25,231,106	6,315,671
Construction	2,758,293	690,436	2,874,298	719,474
Transportation	566,828	141,884	929,664	232,707
Other categories	5,485,889	1,373,190	4,254,688	1,065,003
	<u>299,411,434</u>	<u>74,946,542</u>	<u>193,369,003</u>	<u>48,402,755</u>

(b) By resident status

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Residents	<u>299,411,434</u>	<u>74,946,542</u>	<u>193,369,003</u>	<u>48,402,755</u>

(c) By relationship

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
External customers	296,812,965	74,296,112	192,008,071	48,062,096
Staff loans	<u>2,598,469</u>	<u>650,430</u>	<u>1,360,932</u>	<u>340,659</u>
	<u>299,411,434</u>	<u>74,946,542</u>	<u>193,369,003</u>	<u>48,402,755</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013**

7. LOANS TO CUSTOMERS (continued)

(d) *By location*

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Head office	563,836	141,135	223,190	55,867
<i>Branches:</i>				
Banteay Meanchey	11,200,433	2,803,613	8,899,675	2,227,706
Baray	2,560,879	641,021	-	-
Bati	10,426,188	2,609,809	7,817,429	1,956,803
Battambang	21,150,985	5,294,364	13,661,324	3,419,606
Chhouk	16,081,199	4,025,332	11,826,972	2,960,444
Kampong Cham	15,063,768	3,770,655	10,993,481	2,751,810
Kampong Speu	5,311,617	1,329,566	2,201,353	551,027
Kampong Trabaek	7,984,887	1,998,720	5,904,955	1,478,086
Kamrieng	5,134,979	1,285,352	-	-
Kandal	16,735,723	4,189,167	11,582,477	2,899,243
Kratie	16,017,240	4,009,322	12,795,591	3,202,901
Oddar Meanchey	15,439,576	3,864,725	7,715,281	1,931,234
Odongk	5,811,663	1,454,734	3,675,011	919,903
Ou Reang Ov	5,252,965	1,314,885	2,787,133	697,655
Peam Ro	2,850,008	713,394	-	-
Phnom Penh	7,821,087	1,957,719	7,449,791	1,864,779
Poipet	14,145,745	3,540,862	10,833,814	2,711,843
Prey Kabbas	13,084,764	3,275,285	8,079,776	2,022,472
Preyveng	4,101,396	1,026,632	2,350,468	588,352
Pea Reang	822,049	205,770	-	-
Pursat	387,993	97,120	-	-
Ratanakiri	2,892,357	723,994	-	-
Rattanak Mondol	14,780,070	3,699,642	9,539,905	2,387,961
Romeas Haek	8,361,262	2,092,932	6,456,405	1,616,121
Siemreap	34,382,457	8,606,372	21,493,066	5,379,991
Suong	10,347,565	2,590,129	6,244,141	1,562,989
Svay Rieng	13,033,717	3,262,507	9,062,091	2,268,359
Tramkak	17,665,026	4,421,784	11,775,674	2,947,603
	<u>299,411,434</u>	<u>74,946,542</u>	<u>193,369,003</u>	<u>48,402,755</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013**

7. LOANS TO CUSTOMERS (continued)

(e) *By performance*

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Standard loans:				
Secured	167,485,933	41,923,888	100,413,833	25,134,877
Unsecured	131,479,366	32,910,980	92,571,212	23,171,768
Sub-standard loans:				
Secured	54,577	13,661	124,332	31,122
Unsecured	44,944	11,250	19,867	4,973
Doubtful loans:				
Secured	111,403	27,886	78,134	19,558
Unsecured	27,000	6,758	30,208	7,561
Loss loans:				
Secured	102,997	25,782	67,266	16,838
Unsecured	105,214	26,337	64,151	16,058
	<u>299,411,434</u>	<u>74,946,542</u>	<u>193,369,003</u>	<u>48,402,755</u>

(f) *By interest rate (per month)*

The monthly interest rates are as follows:

	2013	2012
Loan in Khmer Riel	2.50% - 3.50%	2.50% - 3.50%
Loan in US Dollar	1.70% - 3.50%	1.80% - 3.50%
Loan in Thai Baht	2.50% - 3.50%	2.50% - 3.50%

8. OTHER ASSETS

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Accrued interest receivable	5,618,372	1,406,351	3,688,886	923,376
Prepayments	1,792,344	448,647	1,289,510	322,781
Others	568,411	142,281	227,648	56,983
	<u>7,979,127</u>	<u>1,997,279</u>	<u>5,206,044</u>	<u>1,303,140</u>

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013

9. PROPERTY AND EQUIPMENT

	Office furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Total KHR'000
At 1 January 2012				
Cost	276,507	2,999,421	1,420,992	4,696,920
Accumulated depreciation	(154,317)	(1,851,539)	(1,158,495)	(3,164,351)
Net book value	<u>122,190</u>	<u>1,147,882</u>	<u>262,497</u>	<u>1,532,569</u>
Year ended 31 December 2012				
Opening net book value	122,190	1,147,882	262,497	1,532,569
Additions	170,695	1,323,013	409,526	1,903,234
Disposals	(393)	(20,847)	(1,778)	(23,018)
Depreciation charge	(73,130)	(612,845)	(335,161)	(1,021,136)
Closing net book value	<u>219,362</u>	<u>1,837,203</u>	<u>335,084</u>	<u>2,391,649</u>
At 31 December 2012				
Cost	437,767	4,170,889	1,633,313	6,241,969
Accumulated depreciation	(218,405)	(2,333,686)	(1,298,229)	(3,850,320)
Net book value	<u>219,362</u>	<u>1,837,203</u>	<u>335,084</u>	<u>2,391,649</u>
Equivalent in US\$	<u>54,909</u>	<u>459,876</u>	<u>83,876</u>	<u>598,661</u>
At 1 January 2013				
Cost	437,767	4,170,889	1,633,313	6,241,969
Accumulated depreciation	(218,405)	(2,333,686)	(1,298,229)	(3,850,320)
Net book value	<u>219,362</u>	<u>1,837,203</u>	<u>335,084</u>	<u>2,391,649</u>
Year ended 31 December 2013				
Opening net book value	219,362	1,837,203	335,084	2,391,649
Additions	186,810	1,501,435	482,933	2,171,178
Disposals	(1,828)	(4,840)	(1,592)	(8,260)
Depreciation charge	101,361	833,873	408,610	1,343,844
Closing net book value	<u>505,705</u>	<u>4,167,671</u>	<u>1,225,035</u>	<u>5,898,411</u>
At 31 December 2013				
Cost	617,648	5,665,120	2,040,554	8,323,322
Accumulated depreciation	(314,665)	(3,165,195)	(1,632,739)	(5,112,599)
Net book value	<u>302,983</u>	<u>2,499,925</u>	<u>407,815</u>	<u>3,210,723</u>
Equivalent in US\$	<u>75,841</u>	<u>625,763</u>	<u>102,081</u>	<u>803,685</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013**

10. INTANGIBLE ASSETS

Intangible assets consist of computer software cost and its license fee, with the details as follows:

	2013	2012
	KHR'000	KHR'000
At 1 January		
Cost	190,298	160,567
Accumulated amortisation	(171,728)	(153,158)
Net book value	18,570	7,409
Year ended		
Opening net book value	18,570	7,409
Additions	-	29,731
Amortisation charge	(9,285)	(18,570)
Closing net book value	9,285	18,570
Year ended		
Cost	190,298	190,298
Accumulated amortisation	(181,013)	(171,728)
Net book value	9,285	18,570
Equivalent in US\$	2,324	4,648

11. TAXATION

(a) Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Deferred tax assets	570,258	142,743	200,693	50,236
Deferred tax assets – net	570,258	142,743	200,693	50,236

Deferred tax assets and liabilities mainly arise from the temporary differences resulting from provision for staff bonuses and incentives, provision for unutilised annual leave and unrealised loss on foreign exchange and depreciable assets respectively.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013**

11. TAXATION (continued)

(a) Deferred tax assets (continued)

The movements of net deferred tax assets are as follows:

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of the year	200,693	50,236	250,362	61,986
Charge to the income statement	369,565	92,507	(49,669)	(12,433)
Currency translation differences	-	-	-	683
Balance at end of the year	<u>570,258</u>	<u>142,743</u>	<u>200,693</u>	<u>50,236</u>

(b) Income tax expense

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Current tax:				
Current tax on profit for the year	4,720,492	1,181,600	2,219,470	555,562
Deferred tax:				
Origination and reversal of temporary differences	(369,565)	(92,507)	49,669	12,433
	<u>4,350,927</u>	<u>1,089,093</u>	<u>2,269,139</u>	<u>567,995</u>

(i) Current income tax liabilities

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of the year	1,759,349	440,388	1,311,518	324,714
Charge during the year	4,720,492	1,181,600	2,219,470	555,562
Income tax paid	(2,457,410)	(615,122)	(1,771,639)	(443,464)
Currency translation differences	-	-	-	3,576
Balance at end of the year	<u>4,022,431</u>	<u>1,006,866</u>	<u>1,759,349</u>	<u>440,388</u>

THANEAKEA PHUM (CAMBODIA) LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013****11. TAXATION (continued)****(b) Income tax expense (continued)**

(ii) The reconciliation of income tax expense computed at the statutory tax rate to the income tax expense shown in the income statement is as follows:

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Profit before income tax	21,467,596	5,373,616	11,136,673	2,787,653
Tax calculated at 20%	4,293,519	1,074,723	2,227,335	557,531
Expenses not deductible for tax purposes	57,408	14,370	41,804	10,464
	<u>4,350,927</u>	<u>1,089,093</u>	<u>2,269,139</u>	<u>567,995</u>

In accordance with Cambodian tax laws, the Company has an obligation to pay corporate income tax at the rate of 20% of taxable profit or minimum tax at 1% of turnover, whichever is higher.

12. COMPULSORY SAVINGS

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Compulsory deposits	-	-	155,307	38,875
Staff and other deposits	-	-	171	43
	<u>-</u>	<u>-</u>	<u>155,478</u>	<u>38,918</u>

13. BANK OVERDRAFT

The Company obtained the overdraft from Foreign Trade Bank of Cambodia with facility limit of KHR3,000 million. The overdraft bears interest at 10% per annum.

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Foreign Trade Bank of Cambodia	1,922,559	481,241	-	-
	<u>1,922,559</u>	<u>481,241</u>	<u>-</u>	<u>-</u>

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14. BORROWINGS

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
ACLEDA Bank Plc.	4,993,750	1,250,000	2,596,750	650,000
Alterfin	3,335,825	835,000	5,333,325	1,335,000
Calvert Foundation	7,990,000	2,000,000	7,990,000	2,000,000
Cyrano-Management	27,965,000	7,000,000	21,972,500	5,500,000
DWM Income Fund S.C.A.-SICAV SIF	2,044,000	511,640	8,176,000	2,046,558
Crowdbank Inculab Co., Ltd	2,044,000	511,640	-	-
Foreign Trade Bank of Cambodia	26,825,000	6,714,643	20,825,000	5,212,767
Good Return	599,500	150,062	99,300	24,856
Grameen Credit Agricole	3,920,000	981,226	7,598,000	1,901,877
Incofin	18,487,500	4,627,659	18,487,500	4,627,660
Instituto de Credito Oficial	16,460,199	4,120,200	16,460,199	4,120,200
Invest In Vision Microfinance Fund	9,987,500	2,500,000	-	-
Maruhan Japan Bank	8,664,979	2,168,956	2,663,323	666,664
National Bank of Cambodia	10,373,000	2,596,496	2,586,000	647,309
Novib Fonds	15,111,751	3,782,666	15,111,751	3,782,666
Oikocredit	23,171,000	5,800,000	12,027,000	3,010,513
responsAbility	25,155,661	6,296,786	22,140,303	5,542,003
Proparco	8,419,890	2,107,607	11,787,847	2,950,650
Symbiotics	26,841,162	6,718,690	15,984,834	4,001,210
BlueOrchard	7,990,000	2,000,000	-	-
Deutsche Bank	9,987,500	2,500,000	-	-
MicroVest	11,625,800	2,910,087	-	-
Overseas Private Investment Corporation	19,975,000	5,000,000	-	-
Phnom Penh Commercial Bank	1,997,500	500,000	-	-
Impact Finance	1,997,500	500,000	-	-
	<u>295,963,017</u>	<u>74,083,358</u>	<u>191,839,632</u>	<u>48,019,933</u>

Borrowings bear interest rates ranging from 5.5% for US\$ to 13% for KHR per annum (31 December 2012: 5.5% for US\$ to 14.5% for KHR per annum).

15. OTHER PAYABLES

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Accrued interest payables	3,882,708	971,892	2,939,942	735,905
Accrued staff bonuses and incentives	4,663,885	1,167,432	1,879,534	470,471
Withholding tax payable	335,945	84,091	252,842	63,290
Other payables	560,136	140,208	2,997,459	750,303
	<u>9,442,674</u>	<u>2,363,623</u>	<u>8,069,777</u>	<u>2,019,969</u>

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16. SHARE CAPITAL

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
DWM Funds S.C.A.-SICAV SIF	21,598,200	5,849,362	10,936,600	2,737,572
TPC-ESOP Co., Ltd	1,770,000	443,054	1,239,800	310,338
	<u>23,368,200</u>	<u>6,292,416</u>	<u>12,176,400</u>	<u>3,047,910</u>

During the year, the Company increased its share capital by KHR11,192 million, of which KHR4,064 million was converted from the subordinated debt. The increase was approved by the National Bank of Cambodia.

Ownership and number of shares are presented as below:

	2013		2012	
	Ownership	Shares	Ownership	Shares
DWM Funds S.C.A.-SICAV SIF	92.43%	215,982	89.82%	109,366
TPC-ESOP Co., Ltd	7.57%	17,700	10.18%	12,398
	<u>100.00%</u>	<u>233,682</u>	<u>100.00%</u>	<u>121,764</u>

The total authorised number of ordinary shares at the year ended was 233,682 shares with a par value of KHR100,000 (31 December 2012: 121,764 shares with a par value of KHR100,000). All issued shares are fully paid.

17. INTEREST INCOME

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Interest income from:				
Loans to customers	74,784,941	18,719,635	48,815,688	12,219,196
Balances with the Central Bank and banks	1,450,838	363,163	1,186,569	297,014
	<u>76,235,779</u>	<u>19,082,798</u>	<u>50,002,257</u>	<u>12,516,210</u>

18. INTEREST EXPENSES

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Interest expenses on:				
Borrowings	22,497,118	5,631,318	16,370,697	4,097,796
Others	10	3	11,520	2,884
	<u>22,497,128</u>	<u>5,631,321</u>	<u>16,382,217</u>	<u>4,100,680</u>

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19. OTHER INCOME

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Recoveries from loans written-off	372,026	93,123	442,866	110,855
Penalty income	19,084	4,777	21,863	5,473
Losses on disposals of property and equipment	(5,727)	(1,434)	(23,018)	(5,762)
Fees and commission income on loans	352,621	88,266	162,939	40,786
Others	147,825	37,002	23,420	5,862
	<u>885,829</u>	<u>221,734</u>	<u>628,070</u>	<u>157,214</u>

20. COMMISSION EXPENSES

Commission expenses represent payments to the Group Leaders (GLs) and key persons. The basis of the incentive is calculated at a maximum rate of 2% and 3% of the interest amount collected for GLs and key persons, respectively.

21. PERSONNEL EXPENSES

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Salaries and wages	19,254,299	4,819,599	12,791,437	3,201,862
Other short-term benefits	1,570,403	393,092	1,033,308	258,650
	<u>20,824,702</u>	<u>5,212,691</u>	<u>13,824,745</u>	<u>3,460,512</u>

22. GENERAL AND ADMINISTRATION EXPENSES

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Travelling expenses	1,894,610	474,245	1,551,403	388,336
Rental expenses	1,464,812	366,661	1,242,043	310,899
Professional services	483,157	120,940	275,754	69,025
Bank and service charges and other fees	1,375,306	344,257	802,734	200,935
Office supplies and equipment	926,607	231,942	680,322	170,293
Utilities	507,867	127,126	465,981	116,641
Communications	473,555	118,537	374,115	93,646
Photocopies and printing	169,441	42,413	176,975	44,299
Other expenses	1,950,086	488,132	1,416,335	354,527
	<u>9,245,441</u>	<u>2,314,253</u>	<u>6,985,662</u>	<u>1,748,601</u>

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23. DIVIDENDS

On 11 April 2013, dividends amounting to KHR886 million were declared and paid on 20 May 2013 in respect of the Company's profit for the year ended 31 December 2012 (2012: KHR586 million from 2011 profit). The dividends were approved by the Company's shareholders.

24. CASH AND CASH EQUIVALENTS

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Bank overdraft	(1,922,559)	(481,241)	-	-
Cash on hand	1,324,774	331,608	939,095	235,068
Balances with the Central Bank less than 3 months	5,620,271	1,406,826	9,955,656	2,492,029
Balances with banks less than 3 months	22,857,741	5,721,587	13,208,364	3,306,224
	<u>27,880,227</u>	<u>6,978,780</u>	<u>24,103,115</u>	<u>6,033,321</u>

25. RELATED PARTY TRANSACTIONS AND BALANCES

The volumes of related party transactions, outstanding balances at the year end, and related expense for the year are as follows:

(a) Related-party transactions

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Interest expense:				
- DWM Income Funds S.C.A.- SICAV SIF	854,070	213,785	1,242,747	311,076
- DWM Funds S.C.A.-SICAV SIF	57,072	14,286	626,188	156,743

(b) Related-party balances

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Borrowings:				
- DWM Income Funds S.C.A.- SICAV SIF	2,044,000	511,640	8,176,000	2,046,558
- DWM Funds S.C.A.-SICAV SIF	-	-	4,064,000	1,017,272
Accrued interest payable:				
- DWM Income Funds S.C.A.- SICAV SIF	32,048	8,022	89,062	22,293
- DWM Funds S.C.A.-SICAV SIF	-	-	99,922	25,012

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**NOTES TO THE FINANCIAL STATEMENTS
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25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Key management compensation

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Salaries and other benefits	<u>1,277,384</u>	<u>319,746</u>	<u>986,677</u>	<u>246,978</u>

(d) Board of Directors

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Board fees and related expenses	200,350	50,150	137,846	34,505
Consulting service fee provided by a board member	<u>102,196</u>	<u>25,581</u>	<u>-</u>	<u>-</u>
	<u>302,546</u>	<u>75,731</u>	<u>137,846</u>	<u>34,505</u>

26. COMMITMENTS

Operating lease commitments

These operating leases mainly relate to the office rental, which is renewable upon mutual agreement. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2013		2012	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
No later than one year	1,168,002	292,366	765,604	191,641
More than one year to five years	<u>1,616,408</u>	<u>404,608</u>	<u>968,512</u>	<u>242,431</u>
	<u>2,784,410</u>	<u>696,974</u>	<u>1,734,116</u>	<u>434,072</u>

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Company does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage its risk exposures.

27.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Company's credit committee.

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 loan 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 the Central Bank guidelines.

(a) Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flows. The credit committee is responsible for approving loans to customers.

(b) Risk limit control and mitigation policies

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages, limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. The Central Bank requires microfinance institutions to classify their loan portfolio into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral. Refer to Note 2.7.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
<i>Credit exposure relating to on-balance sheet assets:</i>				
Loans to customers (Note 7)	299,411,434	74,946,542	193,369,003	48,402,755
Balances with banks (Note 6)	48,917,665	12,244,722	32,365,810	8,101,579
Other assets	6,146,529	1,538,555	3,861,985	966,705
	<u>354,475,628</u>	<u>88,729,819</u>	<u>229,596,798</u>	<u>57,471,039</u>

The above table represents a worst case scenario for credit risk exposure to the Company at 31 December 2013 and 31 December 2012, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on gross carrying amounts.

As shown above, 84.5% of total maximum exposure is derived from loans to customers (31 December 2012: 84.2%).

Management is confident in its ability to continue to control and sustain minimal credit risk exposure to the Company relating to its loans to customers on the following basis:

- 99.8% of the loans in the portfolio are considered to be neither past due nor impaired (31 December 2012: 99.7%)
- The Company has introduced a more stringent selection and collection process for granting loans to customers

(e) Loans to customers

Loans to customers are summarised as follows:

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Loans to customers neither past due nor impaired	298,885,456	74,814,882	192,753,694	48,248,735
Loans to customers past due but not impaired	79,843	19,986	231,351	57,910
Loans to customers individually impaired	446,135	111,674	383,958	96,110
Gross loans	<u>299,411,434</u>	<u>74,946,542</u>	<u>193,369,003</u>	<u>48,402,755</u>
Provision for bad and doubtful loans	<u>(446,135)</u>	<u>(111,674)</u>	<u>(383,958)</u>	<u>(96,110)</u>
Net loans to customers	<u>298,965,299</u>	<u>74,834,868</u>	<u>192,985,045</u>	<u>48,306,645</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

(e) Loans to customers (continued)

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirements. The total provision for bad and doubtful loans is KHR446 million (31 December 2012: KHR384 million), which represents the specific provision required by the Central Bank and additional provision for the loan losses.

(i) *Loans to customers neither past due nor impaired*

Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) *Loans to customers past due but not impaired*

Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans to customers that were past due but not impaired are as follows:

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Past due up to 30 days	79,843	19,986	231,351	57,910

(iii) *Loans to customers individually impaired*

In accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning, loans past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

The breakdown of the gross amount of individually impaired loans to customers by due date is as follows:

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Sub-standard loans	99,521	24,911	39,139	9,797
Doubtful loans	138,403	34,644	80,375	20,119
Loss loans	208,211	52,119	264,444	66,194
	<u>446,135</u>	<u>111,674</u>	<u>383,958</u>	<u>96,110</u>
Value of collateral (*)	-	-	-	-

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

(e) Loans to customers (continued)

(*) : Most of the customers' collateral is in the form of land or house title receipts (which are not official land title deeds), as the Company generally issues loans to poor entrepreneurs in the provinces. The Company does not perform, during the period of loan, a revaluation of collateral either internally or externally. Since no legal official land title deeds have been obtained, no values have been ascribed to the collateral. Under the Central Bank's regulations, the value of collateral is not taken into account when determining the impairment of loans to customers.

(iv) *Loans to customers renegotiated*

There were no renegotiated/restructured loans to customers at 31 December 2013 and 31 December 2012.

(f) Repossessed collateral

During the year ended 31 December 2013, the Company did not obtain any assets by taking possession of collateral held as security (31 December 2012: Nil).

27.2 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk mainly arising from borrowings in various currency exposures, primarily with respect to US\$ and THB.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

Management monitors its foreign exchange risk against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the Central Bank. The Company does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities by using forward contracts.

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**NOTES TO THE FINANCIAL STATEMENTS
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27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2013. Included in the table are the Company's financial instruments at carrying amount by currency in KHR'000 equivalent.

	KHR'000 equivalents			
	KHR	US\$	THB	Total
As at 31 December 2013				
Financial assets				
Cash on hand	659,859	562,336	102,579	1,324,774
Balances with the Central Bank	5,593,188	12,995,943	-	18,589,131
Balances with banks	3,199,340	44,949,499	768,826	48,917,665
Loans to customers	138,757,336	133,845,745	26,362,218	298,965,299
Other assets	2,816,359	2,867,788	462,382	6,146,529
Total financial assets	151,026,082	195,221,311	27,696,005	373,943,398
Financial liabilities				
Bank overdraft	1,922,559	-	-	1,922,559
Borrowings	78,193,724	194,241,670	23,527,623	295,963,017
Other payables	5,515,711	2,991,328	599,690	9,106,729
Total financial liabilities	85,631,994	197,232,998	24,127,313	306,992,305
Net financial assets	65,394,088	(2,011,687)	3,568,692	66,951,093
	KHR'000 equivalents			
	KHR	US\$	THB	Total
As at 31 December 2012				
Financial assets				
Cash on hand	466,379	428,855	43,861	939,095
Balances with the Central Bank	1,385,372	11,191,804	-	12,577,176
Balances with banks	1,526,044	29,648,775	1,190,991	32,365,810
Loans to customers	96,733,501	79,196,390	17,055,154	192,985,045
Other assets	1,910,749	1,656,247	294,989	3,861,985
Total financial assets	102,022,045	122,122,071	18,584,995	242,729,111
Financial liabilities				
Compulsory savings	134,324	9	21,145	155,478
Borrowings	53,614,147	121,466,097	16,759,388	191,839,632
Other liabilities	5,570,509	1,866,805	379,623	7,816,937
Total financial liabilities	59,318,980	123,332,911	17,160,156	199,812,047
Net financial assets	42,703,065	(1,210,840)	1,424,839	42,917,064

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**NOTES TO THE FINANCIAL STATEMENTS
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27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

(ii) Price risk

The Company is not exposed to a securities price risk because it does not have any investment held and classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company does not currently have a policy to manage its price risk.

(iii) Interest rate risk

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The Company at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, management regularly monitors the mismatch.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

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27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

(iii) Interest rate risk (continued)

	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 bearing KHR'000	Total KHR'000
As at 31 December 2013							
Financial assets							
Cash on hand	-	-	-	-	-	1,324,774	1,324,774
Balances with the Central Bank	-	1,198,500	11,785,250	-	1,168,410	4,436,971	18,589,131
Balances with banks	11,058,533	4,408,752	26,059,924	-	-	7,390,456	48,917,665
Loans to customers	17,853,933	42,041,374	178,915,077	60,154,915	-	-	298,965,299
Other assets	-	-	-	-	-	6,146,529	6,146,529
Total financial assets	<u>28,912,466</u>	<u>47,648,626</u>	<u>216,760,251</u>	<u>60,154,915</u>	<u>1,168,410</u>	<u>19,298,730</u>	<u>373,943,398</u>
Financial liabilities							
Bank overdraft	-	-	1,922,559	-	-	-	1,922,559
Borrowings	24,752,524	38,483,153	109,102,043	105,393,977	17,631,820	599,500	295,963,017
Other payables	-	-	-	-	-	9,106,729	9,106,729
Total financial liabilities	<u>24,752,524</u>	<u>38,483,153</u>	<u>111,024,602</u>	<u>105,393,977</u>	<u>17,631,820</u>	<u>9,706,229</u>	<u>306,992,305</u>
Total interest repricing gap	<u>4,159,942</u>	<u>9,165,473</u>	<u>105,735,649</u>	<u>(45,239,062)</u>	<u>(16,463,410)</u>	<u>9,592,501</u>	<u>66,951,093</u>

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

(iii) Interest rate risk (continued)

	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 bearing KHR'000	Total KHR'000
As at 31 December 2012							
Financial assets							
Cash on hand	-	-	-	-	-	939,095	939,095
Balances with the Central Bank	-	1,198,500	1,997,500	-	608,820	8,772,356	12,577,176
Balances with banks	6,386,105	4,208,833	19,157,446	-	-	2,613,426	32,365,810
Loans to customers	12,488,940	30,457,052	123,321,105	26,717,948	-	-	192,985,045
Other assets	-	-	-	-	-	3,861,985	3,861,985
Total financial assets	<u>18,875,045</u>	<u>35,864,385</u>	<u>144,476,051</u>	<u>26,717,948</u>	<u>608,820</u>	<u>16,186,862</u>	<u>242,729,111</u>
Financial liabilities							
Compulsory savings	171	-	-	-	-	155,307	155,478
Borrowings	3,329,169	18,674,919	72,094,486	83,924,925	13,716,833	99,300	191,839,632
Other liabilities	-	-	-	-	-	7,816,937	7,816,937
Total financial liabilities	<u>3,329,340</u>	<u>18,674,919</u>	<u>72,094,486</u>	<u>83,924,925</u>	<u>13,716,833</u>	<u>8,071,544</u>	<u>199,812,047</u>
Total interest repricing gap	<u>15,545,705</u>	<u>17,189,466</u>	<u>72,381,565</u>	<u>(57,206,977)</u>	<u>(13,108,013)</u>	<u>8,115,318</u>	<u>42,917,064</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

27. FINANCIAL RISK MANAGEMENT (continued)

27.3 Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity risk management process

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(b) Funding approach

The Company's main sources of liquidity arise from the shareholders' paid-up capital and borrowings. The sources of liquidity are reviewed regularly through management's review of the maturity of borrowings.

(c) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on the expected undiscounted cash flows.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013

27. FINANCIAL RISK MANAGEMENT (continued)

27.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	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	No fixed terms KHR'000	Total KHR'000
As at 31 December 2013							
Liabilities							
Bank overdraft	-	-	1,922,559	-	-	-	1,922,559
Borrowings	10,816,524	26,498,153	111,652,543	129,363,977	17,631,820	-	295,963,017
Other payables	3,151,835	7,069,894	13,779,668	17,297,755	1,487,687	-	42,786,839
Total financial liabilities (contractual maturing dates)	<u>13,968,359</u>	<u>33,568,047</u>	<u>127,354,770</u>	<u>146,661,732</u>	<u>19,119,507</u>	<u>-</u>	<u>340,672,415</u>
Total financial assets (expected maturing dates)	<u>49,770,904</u>	<u>61,202,507</u>	<u>252,270,115</u>	<u>68,053,072</u>	<u>-</u>	<u>1,183,610</u>	<u>432,480,208</u>
As at 31 December 2012							
Liabilities							
Compulsory savings	155,478	-	-	-	-	-	155,478
Borrowings	3,329,169	17,476,419	64,713,136	112,182,675	13,716,833	-	211,418,232
Other payables	3,879,141	4,270,211	8,232,372	9,997,763	1,886,271	-	28,265,758
Total financial liabilities (contractual maturing dates)	<u>7,363,788</u>	<u>21,746,630</u>	<u>72,945,508</u>	<u>122,180,438</u>	<u>15,603,104</u>	<u>-</u>	<u>239,839,468</u>
Total financial assets (expected maturing dates)	<u>36,247,801</u>	<u>44,788,663</u>	<u>167,247,540</u>	<u>29,645,880</u>	<u>-</u>	<u>624,020</u>	<u>278,553,904</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

27. FINANCIAL RISK MANAGEMENT (continued)

27.3 Liquidity risk (continued)

(d) Off-balance sheet items

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as disclosed in Note 26.

27.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Company does not have any financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Company's balance sheet at their fair value.

	Carrying value		Fair value	
	2013 KHR'000	2012 KHR'000	2013 KHR'000	2012 KHR'000
Financial assets				
Balances with the Central Bank	18,589,131	12,577,176	18,589,131	12,577,176
Balances with banks	48,917,665	32,365,810	48,917,665	32,365,810
Loans to customers	298,965,299	192,985,045	298,965,299	192,985,045
Other assets	6,146,529	3,861,985	6,146,529	3,861,985
	<u>372,618,624</u>	<u>241,790,016</u>	<u>372,618,624</u>	<u>241,790,016</u>
Financial liabilities				
Compulsory savings	-	155,478	-	155,478
Bank overdraft	1,922,559	-	1,922,559	-
Borrowings	295,963,017	191,839,632	295,963,017	191,839,632
Other payables	9,106,729	7,816,937	9,106,729	7,816,937
	<u>306,992,305</u>	<u>199,812,047</u>	<u>306,992,305</u>	<u>199,812,047</u>

i. Balances with the Central Bank

Balances with the Central Bank include current accounts and fixed deposits. The fair value of balances with the Central Bank approximates the carrying amount.

ii. Balances with banks

Balances with banks include non-interest bearing current accounts, savings deposits and fixed deposits. The fair value of balances with banks approximates the carrying amount.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL RISK MANAGEMENT (continued)

27.4 Fair value of financial assets and liabilities (continued)

(b) Financial instruments not measured at fair value (continued)

iii. Loans to customers

Loans to customers are net of provision for bad and doubtful loans and their carrying value approximates fair value. The provision for bad and doubtful loans is made under the requirements of the Central Bank's Prakas.

iv. Borrowings

The borrowings are not quoted in an active market and their value approximates the carrying amount.

27.5 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The table below summarises the composition of regulatory capital:

	2013		2012	
	KHR'000	US\$	KHR'000	US\$
Tier 1 Capital				
Share capital	23,368,200	5,849,362	12,176,400	3,047,910
Reserves	3,107,877	777,941	2,531,770	633,735
Retained earnings	41,792,553	10,461,215	26,138,433	6,542,786
	<u>68,268,630</u>	<u>17,088,518</u>	<u>40,846,603</u>	<u>10,224,431</u>
Tier 2 Capital				
Subordinated debt (*)	-	-	4,064,000	1,017,272
Total regulatory capital	<u>68,268,630</u>	<u>17,088,518</u>	<u>44,910,603</u>	<u>11,241,703</u>

(*) This represents subordinated debt approved by the Central Bank.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBERE 2013**

27. FINANCIAL RISK MANAGEMENT (continued)

27.5 Capital management (continued)

The Company monitors capital on the basis of Return on Average Equity which is calculated as profit for the year (exclusive of grant income) divided by average equity over 13 months (exclusive of subordinated debts).

	2013	2012
	KHR'000	KHR'000
Profit for the year (exclusive of grant income)	17,114,377	8,864,478
Average equities over 13 months (exclusive of subordinated debt)	<u>57,377,153</u>	<u>36,568,573</u>
Return on Average Equity	<u>29.83%</u>	<u>24.24%</u>

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

**COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2013****1. SOLVENCY RATIO, Prakas No. B7-07-133**

A licensed micro-finance institution shall at all times maintain a solvency ratio of more than 15% of the institution's net worth. As at 31 December 2013, the solvency ratio of the Company is 18.98%.

The solvency ratio calculation is detailed in Schedule 1.

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

A licensed microfinance institution shall at all times maintain a liquidity ratio of at least 100%. As at 31 December 2013, the liquidity ratio of the Company was not applicable as there was no voluntary saving balance.

The liquidity ratio calculation is detailed in Schedule 2.

3. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No B7-07-134

A licensed microfinance institution shall at all times maintain a net open position in foreign currencies in either any foreign currency or an overall net open position in all foreign currencies, whether long or short, which shall not exceed 20% of the Company's net worth. As at 31 December 2013, the net open position in THB was long 5.29% and in US\$ was short 0.75%.

The net open position calculation is detailed in Schedule 3.

4. RESERVE REQUIREMENT, Prakas No. B7-07-163

A licensed microfinance institution shall deposit 5% of its voluntary deposits into an account maintained with the Central Bank. As at 31 December 2013, the reserve requirement was not required as the Company did not have deposits from customers.

The reserve requirement calculation is detailed in Schedule 4.

**COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2013****5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO,
Prakas No. B7-02-186**

Licensed micro-finance institutions shall classify their loan portfolios into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

Loan term of one year or less

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

Loan term of more than one year

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

Mandatory provisions on the loans classified as follows:

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

As at 31 December 2013, the mandatory provision provided by the Company was KHR 259 million which is in compliance with the Central Bank's Prakas.

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

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2013

NET WORTH RATIO

	<u>KHR'000</u>
<i>I- Sub-total A : Items to be added</i>	
- Capital or endowment	23,368,200
- Reserve, other than revaluation reserves	3,107,877
- Premium related to capital (share premiums)	-
- Provision for general banking risks, with the prior agreement of the NBC	-
- Retained earnings	24,675,884
- Audited net profit for the latest financial period	17,116,669
- Other items approved by the National Bank of Cambodia	-
	<u>68,268,630</u>
<i>II- Sub-total B : Items to be deducted</i>	
- For shareholders, directors, managers and their next of kind	
> Unpaid portion of capital	-
> Advances, loans, security and the agreement of the persons concerned as defined above	-
- Holding of own shares at their book value	-
- Accumulated losses	-
- Formation expenses	-
- Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	-
	<u>-</u>
	<u>-</u>
<i>III- Total C : BASE NET WORTH = A – B</i>	<u>68,268,630</u>
<i>IV- Sub-total D : Items to be added</i>	
- Revaluation reserves, with the prior agreement of the NBC	-
- Subordinated debt, with the prior agreement of the NBC, up to 100% of base net worth	-
- Other items, with the prior agreement of the NBC, could be included in the calculation of net worth and shall not be more than base net worth	-
	<u>-</u>
	<u>-</u>
<i>V- Sub-total E : Items to be deducted</i>	
- Equity participation in banking and financial institutions	-
- Other items	-
	<u>-</u>
	<u>-</u>
<i>VI- Total F: TOTAL NET WORTH = C + D – E</i>	<u>68,268,630</u>

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2013

SOLVENCY RATIOKHR'000**I- Numerator (A)**

Net worth

68,268,630**II- Denominator (B)**

Assets (*)

	KHR '000	Weighting	
- Cash	1,324,774	0%	-
- Gold	-	0%	-
- Claims on the NBC	18,589,131	0%	-
- Assets collateralized by deposits	-	0%	-
- Claims on sovereigns rated AAA to AA-	-	0%	-
- Claims on sovereigns rated A+ to A-	-	20%	-
- Claims on banks rated AAA to AA-	-	20%	-
- Claims on sovereigns rated BBB to BBB-	-	50%	-
- Claims on banks rated A+ to A-	-	50%	-
- All other assets	<u>359,712,282</u>	100%	<u>359,712,282</u>
	<u>379,626,187</u>		<u>359,712,282</u>

III- Solvency ratio (A/B)18.98%

(*): The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2013

	<u>KHR'000</u>
I- Numerator: LIQUID ASSETS (A)	
Cash on hand	1,324,774
Balances with the Central Bank (excluding statutory deposits)	17,405,521
Balances with other banks	<u>48,917,665</u>
	<u>67,647,960</u>
<i>Less:</i>	
- Amounts owed to NBC	-
- Amounts owed to other banks (maturity less than one month)	<u>10,816,524</u>
	<u>10,816,524</u>
Net liquidity	<u>56,831,436</u>
<i>Plus:</i>	
- Portion of loans maturing in less than one month	<u>17,853,933</u>
LIQUID ASSETS	<u>74,685,369</u>
II- Denominator: ADJUSTED AMOUNT OF DEPOSITS (B)	
	KHR'000 %
Voluntary savings	25 <u> -</u>
III- LIQUIDITY RATIO (A/B)	<u> N/A</u>

SCHEDULE 3
NET OPEN POSITION AS AT 31 DECEMBER 2013

Currency	Assets	Liabilities	Net open	NOP/	Limit
	KHR'000	and capital	position	Net worth	
		KHR'000	KHR'000	%	%
Khmer Riel (KHR)	155,166,152	(158,265,876)	(3,099,724)	-4.54%	20%
US Dollars (US\$)	196,720,435	(197,232,998)	(512,563)	-0.75%	20%
Thai Baht (THB)	<u>27,739,600</u>	<u>(24,127,313)</u>	<u>3,612,287</u>	5.29%	20%
Total	<u>379,626,187</u>	<u>(379,626,187)</u>	<u>-</u>		
Net worth			<u>68,268,630</u>		

**SCHEDULE 4
RESERVE REQUIREMENT AS AT 31 DECEMBER 2013**

	<u>KHR'000</u>
1-Voluntary	
1-1 Demand	-
1-2 Saving	-
1-3 Term	-
1-4 Other	-
1-5 Total Reservable Deposits	<u>-</u>
2- Compulsory	
2-1 Program	-
2-2 Program	-
2-3 Program	-
2-4 Total Compulsory saving	<u>-</u>
3- Total saving mobilized	<u>-</u>
5% Reservable Deposit	<u><u>-</u></u>

SCHEDULE 5
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2013

	Amount	Rate	Specific
	KHR'000	%	Provision
			KHR'000
Loan classification			
1-Loans of one year or less			
1-1 Standard	141,916,366	0%	-
1-2 Substandard Past Due ≥ 30 days	34,179	10%	3,418
1-3 Doubtful Past Due ≥ 60 days	15,092	30%	4,528
1-4 Loss Past Due ≥ 90 days	112,809	100%	112,809
Sub-Total 1	<u>142,078,446</u>		<u>120,755</u>
2-Loans of more than one year			
2-1 Standard	157,048,933	0%	-
2-2 Substandard Past Due ≥ 30 days	65,341	10%	6,534
2-3 Doubtful Past Due ≥ 180 days	123,310	30%	36,993
2-4 Loss Past Due ≥ 360 days	95,404	100%	95,404
Sub-Total 2	<u>157,332,988</u>		<u>138,931</u>
Grand total 1+2	<u>299,411,434</u>		<u>259,686</u>
All loan past due > 30 days (A)			446,135
Loan outstanding (B)			<u>299,411,434</u>
Delinquency ratio (A/B)			<u>0.15%</u>