

THANEAKEA PHUM (CAMBODIA) LTD.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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CONTENTS

	Page (s)
Directors' report	1 - 3
Independent auditor's report	4
Balance sheet	5
Income statement	6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9 - 42
APPENDIX: Notes on compliance with the Central Bank's Prakas *	i - viii

* The Appendix does not form part of the audited financial statements.



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 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide micro-finance services to the rural population and micro-enterprises 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 2014 is set out in the income statement on page 6.

BAD AND DOUBTFUL LOANS

Before the Company's financial statements were drawn up, the Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making provision for bad and doubtful loans. The Directors have satisfied itself that all known bad loans have been written off and that adequate provisions have 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 of the provision 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 twelve 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 2014.

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:

- Mr. Kithsiri Gunawardena Chairperson (appointed on 15 September 2014)
- Mr. Ravindra Tissera Member (appointed on 15 September 2014)
- Mrs. Fernanda Pecanha Lacerda De Lima Member
- Mr. Indrajith Wijesiriwardana Member (appointed on 01 January 2015)
- Mr. Hans Michael Theodor Moormann Member
- Mr. Chandula Palith Abeywickrema Member (resigned on 15 September 2014)
- Mr. Christophe Forsinetti Member (resigned on 15 September 2014)
- Mr. Stephen Higgins Member (resigned on 03 December 2014)
- Mr. Vann Saroeun Member (resigned on 21 May 2014)

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 2014 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 2014 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. Sok Voëun
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 10 MAR 2015



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 2014, and the income statement, the statement of changes in equity and the cash flow statement for the year ended 31 December 2014, 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 2014, and its financial performance and its cash flows for the year ended 31 December 2014 in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank.

For PricewaterhouseCoopers (Cambodia) Ltd.


By Lang Hy
Director



Phnom Penh, Kingdom of Cambodia

Date: 10 March 2015

PricewaterhouseCoopers (Cambodia) Ltd.

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THANEAKEA PHUM (CAMBODIA) LTD.

**BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	2014		2013	
		KHR '000	US\$	KHR '000	US\$
ASSETS					
Cash on hand	4	1,660,618	407,514	1,324,774	331,608
Balances with the Central Bank	5	1,207,278	296,265	18,589,131	4,653,099
Balances with banks	6	56,654,593	13,902,968	48,917,665	12,244,722
Loans to customers	7	469,678,255	115,258,467	298,965,299	74,834,868
Investment		61,125	15,000	59,925	15,000
Other assets	8	12,289,851	3,015,914	7,979,127	1,997,279
Property and equipment	9	4,948,881	1,214,449	3,210,723	803,685
Intangible assets	10	83,069	20,385	9,285	2,324
Deferred tax assets	11	719,288	176,512	570,258	142,743
TOTAL ASSETS		547,302,958	134,307,474	379,626,187	95,025,328
LIABILITIES AND EQUITY					
LIABILITIES					
Bank overdraft	12	12,439,577	3,052,657	1,922,559	481,241
Borrowings	13	418,975,080	102,815,971	295,963,017	74,083,358
Other liabilities	14	12,219,018	2,998,531	9,442,674	2,363,623
Deferred grant income		-	-	6,876	1,722
Current income tax liabilities	11	6,677,587	1,638,672	4,022,431	1,006,866
TOTAL LIABILITIES		450,311,262	110,505,831	311,357,557	77,936,810
EQUITY					
Share capital	15	23,368,200	5,734,528	23,368,200	5,849,362
Reserves		3,695,521	906,876	3,107,877	777,941
Retained earnings		69,927,975	17,160,239	41,792,553	10,461,215
TOTAL EQUITY		96,991,696	23,801,643	68,268,630	17,088,518
TOTAL LIABILITIES AND EQUITY		547,302,958	134,307,474	379,626,187	95,025,328

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014		2013	
		KHR '000	US\$	KHR '000	US\$
Interest income	16	112,179,811	27,528,788	76,235,779	19,082,798
Interest expense	17	(32,214,877)	(7,905,491)	(22,497,128)	(5,631,321)
Net interest income		79,964,934	19,623,297	53,738,651	13,451,477
Provision for bad and doubtful loans	7	(422,803)	(103,755)	(320,251)	(80,163)
Net interest income after provision for bad and doubtful loans		79,542,131	19,519,542	53,418,400	13,371,314
Other income	18	982,535	241,112	885,829	221,734
Commission expenses	19	(1,581,358)	(388,063)	(1,159,147)	(290,149)
Personnel expenses	20	(26,095,347)	(6,403,766)	(20,824,702)	(5,212,691)
Depreciation and amortisation charges		(1,620,709)	(397,720)	(1,353,129)	(338,706)
General and administrative expenses	21	(12,993,484)	(3,188,585)	(9,245,441)	(2,314,253)
Net foreign exchange loss		(92,497)	(22,699)	(256,506)	(64,207)
Operating profit		38,141,271	9,359,821	21,465,304	5,373,042
Grant income		6,876	1,687	2,292	574
Profit before income tax		38,148,147	9,361,508	21,467,596	5,373,616
Income tax expense	11	(7,713,361)	(1,892,849)	(4,350,927)	(1,089,093)
Profit for the year		<u>30,434,786</u>	<u>7,468,659</u>	<u>17,116,669</u>	<u>4,284,523</u>
Attributable to:					
Equity holders of the Company		<u>30,434,786</u>	<u>7,468,659</u>	<u>17,116,669</u>	<u>4,284,523</u>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital KHR'000	Reserves KHR'000	Subordinated debt KHR'000	Retained earnings KHR'000	Total KHR'000
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 share capital	4,064,000	-	(4,064,000)	-	-
Dividends paid	-	-	-	(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>
As at 01 January 2014	23,368,200	3,107,877	-	41,792,553	68,268,630
Dividends paid	-	-	-	(1,711,720)	(1,711,720)
Transfers to reserves	-	587,644	-	(587,644)	-
Profit for the year	-	-	-	30,434,786	30,434,786
As at 31 December 2014	<u>23,368,200</u>	<u>3,695,521</u>	<u>-</u>	<u>69,927,975</u>	<u>96,991,696</u>
Equivalent in US\$	<u>5,734,528</u>	<u>906,876</u>	<u>-</u>	<u>17,160,239</u>	<u>23,801,643</u>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 2014**

	Note	2014		2013	
		KHR '000	US\$	KHR '000	US\$
Cash flows from operating activities					
Profit before income tax		38,148,147	9,361,509	21,467,596	5,373,616
<i>Adjustments for:</i>					
Depreciation and amortisation		1,620,709	397,720	1,353,129	338,706
Deferred grant income		(6,876)	(1,687)	(2,292)	(574)
Provision for bad and doubtful loans	7	422,803	103,755	320,251	80,163
(Gain)/loss on disposals of property and equipment		(14,628)	(3,590)	5,727	1,434
Net interest income		(79,964,934)	(19,623,297)	(53,738,651)	(13,451,477)
		(39,794,779)	(9,765,590)	(30,594,240)	(7,658,132)
<i>Changes in working capital</i>					
Balances with the Central Bank		11,785,250	2,892,086	(9,787,750)	(2,450,000)
Balances with banks		(18,720,132)	(4,593,897)	(6,902,478)	(1,727,779)
Loans to customers		(171,135,759)	(41,996,505)	(106,300,505)	(26,608,387)
Other assets		(1,427,348)	(350,269)	(843,597)	(211,163)
Other liabilities		4,170,209	1,023,364	2,160,185	540,722
Cash used in operations		(215,122,559)	(52,790,811)	(152,268,385)	(38,114,739)
Interest income received		109,295,235	26,820,917	74,306,293	18,599,823
Interest expense paid		(33,608,742)	(8,247,544)	(23,439,894)	(5,867,308)
Income tax paid		(5,207,235)	(1,277,849)	(2,457,410)	(615,121)
Cash used in operating activities		(144,643,301)	(35,495,287)	(103,859,396)	(25,997,345)
Cash flows from investing activities					
Reserve deposits with the Central Bank		-	-	(559,590)	(140,073)
Purchases of property and equipment		(3,396,352)	(833,461)	(2,171,178)	(543,474)
Purchases of intangible assets		(81,434)	(19,984)	-	-
Proceeds from disposals of property and equipment		59,763	14,666	2,533	634
Cash used in investing activities		(3,418,023)	(838,779)	(2,728,235)	(682,913)
Cash flows from financing activities					
Proceeds from borrowings		253,920,960	62,311,892	198,568,364	49,704,221
Repayments on borrowings		(130,908,897)	(32,124,883)	(94,444,979)	(23,640,796)
Proceeds from paid up capital		-	-	7,127,800	1,784,180
Dividend paid out		(1,711,720)	(420,054)	(886,442)	(221,888)
Cash generated from financing activities		121,300,343	29,766,955	110,364,743	27,625,717
Net increase in cash and cash equivalents					
		(26,760,981)	(6,567,111)	3,777,112	945,459
Cash and cash equivalents at the beginning of the year		27,880,227	6,978,780	24,103,115	6,033,321
Currency translation differences		-	(137,006)	-	-
Cash and cash equivalents at the end of the year	23	<u>1,119,246</u>	<u>274,663</u>	<u>27,880,227</u>	<u>6,978,780</u>

The accompanying notes on pages 9 to 42 form an integral part of these financial statements.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 and latest renewed on 31 March 2014. In September 2014, the Company is a subsidiary of LOLC Micro Investments Ltd, incorporated in Sri Lanka. The ultimate parent is Lanka ORIX Leasing Company PLC listed on the Colombo Stock Exchange.

The Company has 52 office locations (51 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. 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. 666B, Street 271, Phsar Doeum Thkov, Chamkarmon, Phnom Penh, Cambodia.

The financial statements were approved for issue by the Board of Directors on 10 March 2015.

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 years 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.

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.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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.

(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.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(iii) Presentation in US\$

For the sole regulatory purpose of complying with the Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation to Khmer Riel (“KHR”) is provided for the balance sheet, the income statement, the statement of changes in shareholders’ equity, the cash flow statement and notes to the financial statements as of and for the year ended 31 December 2014 using the official rate of exchange published by the Central Bank as at the reporting date.

	31 December 2014	31 December 2013
KHR/US\$	4,075	3,995
KHR/THB	124.5	122.5

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.

2.7 Provision for bad and doubtful loans

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

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:

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provision for bad and doubtful loans (continued)

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 provision 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 costs are charged to the income statement during the financial period in which they are incurred.

Depreciation of property and equipment is charged to the income statement on a straight line method at the following determination:

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property and equipment (continued)

Category	Useful life
Office furniture and equipment	3-5 years
Motor vehicles	4-5 years
Computer equipment	3 years
Leasehold implement	Contractual period

The assets' residual values, useful lives and depreciation methods 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. Intangible assets are amortised over their estimated useful lives of five years using the straight-line method.

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 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Borrowings (continued)

Borrowing costs (interest expense) shall be recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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 for other liabilities and charge

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 (past due from 30 days), 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 DECEMBER 2014

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 2014

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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.

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 year 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 country.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

3.4 Change in estimate

Management changed the depreciation method of property and equipment from declining balance method to straight line method effective from 1 January 2014 to reflect the better economic useful life of the assets. The details are as follows:

	Previous method Declining balance method	New method Straight line method
Office furniture and equipment	25%	3-5 years
Motor vehicles	25%	4-5years
Computers equipment	50%	3 years

Should the depreciation method and economic useful life of the property and equipment have not been changed the depreciation expense for the year would have been increased by KHR 203 million from KHR 1,621 million to KHR 1,824 million. The impact of the change was applied prospectively.

4. CASH ON HAND

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Head office	51,553	12,651	2,000	501
Branches	1,609,065	394,863	1,322,774	331,107
	<u>1,660,618</u>	<u>407,514</u>	<u>1,324,774</u>	<u>331,608</u>

5. BALANCES WITH THE CENTRAL BANK

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Current accounts	23,668	5,809	4,421,771	1,106,826
Term deposits	-	-	12,983,750	3,250,000
Statutory deposits (i)	1,168,410	286,726	1,168,410	292,468
Reserve deposits (ii)	15,200	3,730	15,200	3,805
	<u>1,207,278</u>	<u>296,265</u>	<u>18,589,131</u>	<u>4,653,099</u>

- (i) 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 as at 31 December 2014 in an interest-earning account with the Central Bank (3% per annum following the Central Bank's Prakas No. 06.210).
- (ii) 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.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

6. BALANCES WITH BANKS

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Current accounts	3,625,465	889,684	7,390,456	1,849,927
Term deposit accounts	44,780,056	10,988,971	30,468,677	7,626,703
Savings accounts	8,249,072	2,024,313	11,058,532	2,768,092
	<u>56,654,593</u>	<u>13,902,968</u>	<u>48,917,665</u>	<u>12,244,722</u>

Current accounts are non-interest bearing. Annual interest rates on term deposit accounts and savings accounts are ranging from 0.25% - 4.75% per annum (2013: 0.50% - 4.75%).

7. LOANS TO CUSTOMERS

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Thaneakea Phum loans:				
End of cycle	127,229,565	31,221,978	103,560,276	25,922,472
Solidarity group loans:				
Fixed term	41,450,617	10,171,931	28,096,247	7,032,853
Individual loans:				
Fixed term	216,403,486	53,105,150	123,278,831	30,858,281
End of cycle	81,955,620	20,111,809	41,877,611	10,482,506
Staff loans	3,102,820	761,428	2,598,469	650,430
	<u>470,142,108</u>	<u>115,372,296</u>	<u>299,411,434</u>	<u>74,946,542</u>
Provision for bad and doubtful loans:				
Specific provision	(208,938)	(51,273)	(259,684)	(65,002)
General provision	(254,915)	(62,556)	(186,451)	(46,672)
	<u>(463,853)</u>	<u>(113,829)</u>	<u>(446,135)</u>	<u>(111,674)</u>
Net loans to customers	<u>469,678,255</u>	<u>115,258,467</u>	<u>298,965,299</u>	<u>74,834,868</u>

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

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
At the beginning of the year	446,135	111,674	383,958	96,110
Provision for the year	422,803	103,755	320,251	80,163
Written off during the year	(413,242)	(101,409)	(255,695)	(64,004)
Loss on foreign exchange	8,157	2,002	(2,379)	(595)
Currency translation differences	-	(2,193)	-	-
At the end of the year	<u>463,853</u>	<u>113,829</u>	<u>446,135</u>	<u>111,674</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

7. LOANS TO CUSTOMERS (continued)

Loans to customers are analysed as follows:

(a) By economic sector

	2014		2013	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Agriculture	289,560,647	71,057,826	166,138,444	41,586,594
Trade and commerce	74,467,646	18,274,269	49,440,466	12,375,586
Household/family	49,190,148	12,071,202	48,533,202	12,148,486
Services	44,075,576	10,816,092	26,488,312	6,630,366
Construction	4,562,011	1,119,512	2,758,293	690,436
Transportation	813,692	199,679	566,828	141,884
Other categories	7,472,388	1,833,716	5,485,889	1,373,190
	<u>470,142,108</u>	<u>115,372,296</u>	<u>299,411,434</u>	<u>74,946,542</u>

(b) By resident status

	2014		2013	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Residents	<u>470,142,108</u>	<u>115,372,296</u>	<u>299,411,434</u>	<u>74,946,542</u>

(c) By relationship

	2014		2013	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
External customers	467,039,288	114,610,868	296,812,965	74,296,112
Staff loans	<u>3,102,820</u>	<u>761,428</u>	<u>2,598,469</u>	<u>650,430</u>
	<u>470,142,108</u>	<u>115,372,296</u>	<u>299,411,434</u>	<u>74,946,542</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

7. LOANS TO CUSTOMERS (continued)

(d) By performance

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Standard loans:				
Secured	301,233,347	73,922,294	167,485,933	41,923,888
Unsecured	168,444,908	41,336,174	131,479,366	32,910,980
Sub-standard loans:				
Secured	82,227	20,178	54,577	13,661
Unsecured	102,920	25,256	44,944	11,250
Doubtful loans:				
Secured	77,816	19,096	111,403	27,886
Unsecured	48,302	11,853	27,000	6,758
Loss loans:				
Secured	68,536	16,819	102,997	25,782
Unsecured	84,052	20,626	105,214	26,337
	<u>470,142,108</u>	<u>115,372,296</u>	<u>299,411,434</u>	<u>74,946,542</u>

(e) By interest rate (per month)

The monthly interest rates are as follows:

	2014	2013
Loan in Khmer Riel	2.50% - 3.50%	2.50% - 3.50%
Loan in US Dollar	1.60% - 3.50%	1.70% - 3.50%
Loan in Thai Baht	2.50% - 3.50%	2.50% - 3.50%

8. OTHER ASSETS

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Accrued interest receivable	8,502,948	2,086,613	5,618,372	1,406,351
Prepayments	1,303,066	319,771	616,195	154,242
Borrowing fees	2,068,344	507,569	1,176,149	294,405
Others	415,493	101,961	568,411	142,281
	<u>12,289,851</u>	<u>3,015,914</u>	<u>7,979,127</u>	<u>1,997,279</u>

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9. PROPERTY AND EQUIPMENT

	Office furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Total KHR'000
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>302,983</u>	<u>2,499,925</u>	<u>407,815</u>	-	<u>3,210,723</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>
At 1 January 2014					
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>
Year ended 31 December 2014					
Opening net book value	302,983	2,499,925	407,815	-	3,210,723
Additions	458,553	1,820,559	491,914	625,326	3,396,352
Disposals	(37,925)	(6,003)	(1,207)	-	(45,135)
Depreciation charge	(212,375)	(1,036,023)	(312,534)	(52,127)	(1,613,059)
Closing net book value	<u>511,236</u>	<u>3,278,458</u>	<u>585,988</u>	<u>573,199</u>	<u>4,948,881</u>
At 31 December 2014					
Cost	994,354	7,445,143	2,458,718	625,326	11,523,541
Accumulated depreciation	(483,118)	(4,166,685)	(1,872,730)	(52,127)	(6,574,660)
Net book value	<u>511,236</u>	<u>3,278,458</u>	<u>585,988</u>	<u>573,199</u>	<u>4,948,881</u>
Equivalent in US\$	<u>125,456</u>	<u>804,530</u>	<u>143,801</u>	<u>140,662</u>	<u>1,214,449</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10. INTANGIBLE ASSETS

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

	2014	2013
	KHR'000	KHR'000
At the beginning		
Cost	190,298	190,298
Accumulated amortisation	<u>(181,013)</u>	<u>(171,728)</u>
Net book value	<u>9,285</u>	<u>18,570</u>
Year ended		
Opening net book value	9,285	18,570
Additions	81,434	-
Amortisation charge	<u>(7,650)</u>	<u>(9,285)</u>
Closing net book value	<u>83,069</u>	<u>9,285</u>
Year ended		
Cost	271,732	190,298
Accumulated amortisation	<u>(188,663)</u>	<u>(181,013)</u>
Net book value	<u>83,069</u>	<u>9,285</u>
Equivalent in US\$	<u>20,385</u>	<u>2,286</u>

11. TAXATION

(a) Deferred tax assets

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Deferred tax assets	751,977	184,534	570,258	142,743
Deferred tax liabilities	<u>(32,689)</u>	<u>(8,022)</u>	-	-
Deferred tax assets, net	<u>719,288</u>	<u>176,512</u>	<u>570,258</u>	<u>142,743</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

11. TAXATION (continued)

(a) Deferred tax assets (continued)

The movement of net deferred tax assets is as follows:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of the year	570,258	142,743	200,693	50,236
Charge to the income statement	(11,346)	(2,784)	369,565	90,981
Under estimate in respect of prior year	160,376	39,356	-	-
Currency translation differences	-	(2,803)	-	1,526
Balance at end of the year	<u>719,288</u>	<u>176,512</u>	<u>570,258</u>	<u>142,743</u>

The movement in deferred income tax assets/(liabilities) during the year is as follows:

	General loan loss KHR'000	Bonus and unused annual leave KHR'000	Unrealised exchange loss KHR'000	Accelerated depreciation and amortisation KHR'000	Total KHR'000
At 1 January 2013	-	172,887	24,387	3,419	200,693
Charged to income statement	-	330,238	39,269	58	369,565
At 31 December 2013	<u>-</u>	<u>503,125</u>	<u>63,656</u>	<u>3,477</u>	<u>570,258</u>
Equivalent in US\$	<u>-</u>	<u>125,939</u>	<u>15,934</u>	<u>870</u>	<u>142,743</u>
At 1 January 2014	-	503,125	63,656	3,477	570,258
Charged to income statement	50,983	78,134	56,079	(36,166)	149,030
At 31 December 2014	<u>50,983</u>	<u>581,259</u>	<u>119,735</u>	<u>(32,689)</u>	<u>719,288</u>
Equivalent in US\$	<u>12,511</u>	<u>142,640</u>	<u>29,383</u>	<u>(8,022)</u>	<u>176,512</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

11. TAXATION (continued)

(b) Income tax expense

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Current tax on profit for the year	<u>7,702,015</u>	<u>1,890,065</u>	<u>4,720,492</u>	<u>1,181,600</u>
Origination and reversal of temporary differences	(149,030)	(36,572)	(369,565)	(92,507)
Under estimate in respect of prior year	<u>160,376</u>	<u>39,356</u>	-	-
Deferred tax	11,346	2,784	(369,565)	(92,507)
Income tax expense	<u><u>7,713,361</u></u>	<u><u>1,892,849</u></u>	<u><u>4,350,927</u></u>	<u><u>1,089,093</u></u>

(i) Current income tax liabilities

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Balance at the beginning of the year	4,022,431	1,006,866	1,759,349	440,388
Charge during the year	7,702,015	1,890,065	4,720,492	1,181,600
Under estimate in respect of prior year	160,376	39,356	-	-
Income tax paid	(5,207,235)	(1,277,849)	(2,457,410)	(615,122)
Currency translation differences	-	(19,766)	-	-
Balance at the end of the year	<u><u>6,677,587</u></u>	<u><u>1,638,672</u></u>	<u><u>4,022,431</u></u>	<u><u>1,006,866</u></u>

(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:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Profit before income tax	38,148,147	9,361,508	21,467,596	5,373,616
Tax calculated at 20%	7,629,629	1,872,302	4,293,519	1,074,723
Expenses not deductible for tax purposes	(76,644)	(18,809)	57,408	14,370
Under estimate in respect of prior year	<u>160,376</u>	<u>39,356</u>	-	-
	<u><u>7,713,361</u></u>	<u><u>1,892,849</u></u>	<u><u>4,350,927</u></u>	<u><u>1,089,093</u></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.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

12. BANK OVERDRAFT

The Company obtained two overdraft facilities from Foreign Trade Bank of Cambodia with facility limit of KHR3,000 million (maturity on 14 December 2015) and KHR10,000 million (maturity on 24 June 2016) bearing interest at 10% and 9.5% per annum respectively.

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Bank overdrafts	12,439,577	3,052,657	1,922,559	481,241
	<u>12,439,577</u>	<u>3,052,657</u>	<u>1,922,559</u>	<u>481,241</u>

13. BORROWINGS

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Local borrowings	81,789,584	20,071,063	52,854,229	13,230,095
Overseas borrowings *	337,185,496	82,744,908	243,108,788	60,853,263
	<u>418,975,080</u>	<u>102,815,971</u>	<u>295,963,017</u>	<u>74,083,358</u>

(*) It included the subordinated debt KHR 8,150 million approved by the Central Bank in September 2014.

The annual interest rates are as follows:

	2014	2013
Borrowing in Khmer Riel	9.00% - 13.00%	6.00% - 13.00%
Borrowing in US Dollar	5.50% - 10.50%	5.50% - 9.00%
Borrowing in Thai Baht	8.50% - 10.50%	8.10% - 10.50%

14. OTHER LIABILITIES

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Accrued interest payables	5,276,573	1,294,865	3,882,708	971,892
Accrued staff bonuses and incentives	5,348,793	1,312,587	4,663,885	1,167,432
Withholding tax payable	508,168	124,704	335,945	84,091
Accrued other expenses	396,478	97,295	245,270	61,394
Other payables	689,006	169,080	314,866	78,814
	<u>12,219,018</u>	<u>2,998,531</u>	<u>9,442,674</u>	<u>2,363,623</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

15. SHARE CAPITAL

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
LOLC Micro Investments Ltd	14,021,000	3,440,736	-	-
DWM Funds S.C.A.-SICAV SIF	8,639,200	2,120,049	21,598,200	5,406,308
TPC-ESOP Co., Ltd	708,000	173,743	1,770,000	443,054
	<u>23,368,200</u>	<u>5,734,528</u>	<u>23,368,200</u>	<u>5,849,362</u>

Ownership and number of shares are presented as below:

	2014		2013	
	Ownership	Shares	Ownership	Shares
LOLC Micro Investments Ltd	60.00%	140,210	-	-
DWM Funds S.C.A.-SICAV SIF	36.97%	86,392	92.43%	215,982
TPC-ESOP Co., Ltd (*)	3.03%	7,080	7.57%	17,700
	<u>100.00%</u>	<u>233,682</u>	<u>100.00%</u>	<u>233,682</u>

The total authorised number of ordinary shares as at 31 December 2014 was 233,682 shares with a par value of KHR100,000 (31 December 2013: 233,682 shares with a par value of KHR100,000). All issued shares are fully paid.

(*)TPC-ESOP is a vehicle through which eligible employees can acquire an ownership interest in the Company. The ESOP serves as an employee benefit that enables employees to contribute long-term growth of the Company.

16. INTEREST INCOME

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Interest income from:				
Loans to customers	110,382,060	27,087,622	74,784,941	18,719,635
Balances with the Central Bank and banks	1,797,751	441,166	1,450,838	363,163
	<u>112,179,811</u>	<u>27,528,788</u>	<u>76,235,779</u>	<u>19,082,798</u>

17. INTEREST EXPENSES

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Local borrowings	6,864,605	1,684,565	3,745,417	937,526
International borrowings	25,350,272	6,220,926	18,751,711	4,693,795
	<u>32,214,877</u>	<u>7,905,491</u>	<u>22,497,128</u>	<u>5,631,321</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

18. OTHER INCOME

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Recoveries from loans written-off	310,014	76,077	372,026	93,123
Penalty income	39,439	9,678	19,084	4,777
Gain/(loss) on disposals of property and equipment	14,628	3,590	(5,727)	(1,434)
Fees and commission income on loans	497,286	122,033	352,621	88,266
Others	121,168	29,734	147,825	37,002
	<u>982,535</u>	<u>241,112</u>	<u>885,829</u>	<u>221,734</u>

19. COMMISSION EXPENSES

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

20. PERSONNEL EXPENSES

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Salaries and wages	23,413,336	5,745,604	19,254,299	4,819,599
Other short-term benefits	2,682,011	658,162	1,570,403	393,092
	<u>26,095,347</u>	<u>6,403,766</u>	<u>20,824,702</u>	<u>5,212,691</u>

21. GENERAL AND ADMINISTRATION EXPENSES

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Travelling expenses	2,349,944	576,673	1,894,610	474,245
Rental expenses	2,249,260	551,966	1,464,812	366,661
Professional services	506,713	124,347	483,157	120,940
Bank and service charges and other fees	1,912,234	469,260	1,375,306	344,257
Office supplies and equipment	1,342,157	329,364	926,607	231,942
Utilities	699,958	171,769	507,867	127,126
Communications	638,603	156,712	473,555	118,537
Photocopies and printing	207,454	50,909	169,441	42,413
License fees/ taxes	119,766	29,390	28,850	7,222
Other expenses	2,967,395	728,195	1,921,236	480,910
	<u>12,993,484</u>	<u>3,188,585</u>	<u>9,245,441</u>	<u>2,314,253</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

22. DIVIDENDS

Dividends amounting to KHR1,712 million were declared and paid in June 2014 in respect of the Company's profit for the year ended 31 December 2013 (May 2013: KHR886 million from 2012 profit). The dividends were approved by the Company's board of directors.

23. CASH AND CASH EQUIVALENTS

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Bank overdraft	(12,439,577)	(3,052,657)	(1,922,559)	(481,241)
Cash on hand	1,660,618	407,514	1,324,774	331,608
Balances with the Central Bank less than 3 months	23,668	5,809	5,620,271	1,406,826
Balances with banks less than 3 months	11,874,537	2,913,997	22,857,741	5,721,587
	<u>1,119,246</u>	<u>274,663</u>	<u>27,880,227</u>	<u>6,978,780</u>

24. RELATED PARTY TRANSACTIONS AND BALANCES

Relationship	Related party
Ultimate parent company	Lanka ORIX Leasing Company PLC
Immediate	LOLC Micro Investments Ltd
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members)

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

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Board of directors				
Consultant and related expenses	<u>270,502</u>	<u>66,381</u>	<u>302,546</u>	<u>75,731</u>
Shareholders				
Interest expense:	<u>18,984</u>	<u>4,659</u>	<u>911,142</u>	<u>228,071</u>

THANEAKEA PHUM (CAMBODIA) LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****24. RELATED PARTY TRANSACTIONS AND BALANCES**

(b) Related-party balances

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Shareholders				
Borrowings	-	-	2,044,000	511,640
Accrued interest payable:	-	-	32,048	8,022

(c) Key management compensation

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Salaries and other benefits	1,833,063	449,831	1,277,384	319,746

25. 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:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
No later than one year	1,591,571	390,570	1,168,002	292,366
More than one year to five years	3,351,056	822,345	1,616,408	404,608
More than five years	1,616,619	396,716	-	-
	6,559,246	1,609,631	2,784,410	696,974

26. 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.

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 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).

Moreover, the general provision has been provided on non-performing loan in addition to the existing specific provision to ensure the risk coverage ratio up to 100%.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

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

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
<i>Credit exposure relating to on-balance sheet assets:</i>				
Loans to customers (Note 7)	470,142,108	115,372,296	299,411,434	74,946,542
Balances with banks (Note 6)	56,654,593	13,902,968	48,917,665	12,244,722
Other assets	8,834,170	2,167,894	6,146,529	1,538,555
	<u>535,630,871</u>	<u>131,443,158</u>	<u>354,475,628</u>	<u>88,729,819</u>

The above table represents a worst case scenario for credit risk exposure to the Company at 31 December 2014 and 31 December 2013, 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, 87.8% of total maximum exposure is derived from loans to customers (31 December 2013: 84.5%).

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:

- 99.9% of the loans in the portfolio are considered to be neither past due nor impaired (31 December 2013: 99.8%)
- 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:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Loans to customers neither past due nor impaired	469,557,087	115,228,733	298,885,456	74,814,882
Loans to customers past due but not impaired	121,168	29,734	79,843	19,986
Loans to customers individually impaired	<u>463,853</u>	<u>113,829</u>	<u>446,135</u>	<u>111,674</u>
Gross loans	470,142,108	115,372,296	299,411,434	74,946,542
Provision for bad and doubtful loans	<u>(463,853)</u>	<u>(113,829)</u>	<u>(446,135)</u>	<u>(111,674)</u>
Net loans to customers	<u>469,678,255</u>	<u>115,258,467</u>	<u>298,965,299</u>	<u>74,834,868</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 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 KHR464 million (31 December 2013: KHR446 million), which represents the specific provision required by the Central Bank and additional provision for the loan losses [Refer to 26.1(c)].

(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:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Past due up to 30 days	121,168	29,734	79,843	19,986

(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:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Sub-standard loans	185,147	45,435	99,521	24,911
Doubtful loans	126,118	30,949	138,403	34,644
Loss loans	152,588	37,445	208,211	52,119
	463,853	113,829	446,135	111,674

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 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 2014 and 31 December 2013.

(v) Credit risk exposure by geographical and industry sectors

	2014		2013	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Cambodia	<u>470,142,108</u>	<u>115,372,296</u>	<u>299,411,434</u>	<u>74,946,542</u>
	<u>470,142,108</u>	<u>115,372,296</u>	<u>299,411,434</u>	<u>74,946,542</u>

(f) Repossessed collateral

During the year ended 31 December 2014, the Company did not obtain any assets by taking possession of collateral held as security (31 December 2013: Nil).

26.2 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.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(i) Foreign exchange risk (continued)

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.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2014. Included in the table are the Company's financial instruments at carrying amount by currency in KHR'000.

	KHR'000			Total
	KHR	US\$	THB	
As at 31 December 2014				
Financial assets				
Cash on hand	768,546	745,240	146,832	1,660,618
Balances with the Central Bank	21,338	2,330	-	23,668
Balances with banks	6,540,640	48,969,178	1,144,775	56,654,593
Loans to customers	183,669,185	247,573,450	38,435,620	469,678,255
Other assets	3,744,228	4,383,819	706,123	8,834,170
Total financial assets	194,743,937	301,674,017	40,433,350	536,851,304
Financial liabilities				
Bank overdraft	12,439,577	-	-	12,439,577
Borrowings	81,128,751	298,460,632	39,385,697	418,975,080
Other payables	6,313,645	4,484,635	912,570	11,710,850
Total financial liabilities	99,881,973	302,945,267	40,298,267	443,125,507
Net financial assets	94,861,964	(1,271,250)	135,083	93,725,797
As at 31 December 2013				
Financial assets				
Cash on hand	659,859	562,336	102,579	1,324,774
Balances with the Central Bank	4,409,578	12,995,943	-	17,405,521
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	149,842,472	195,221,311	27,696,005	372,759,788
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	64,210,478	(2,011,687)	3,568,692	65,767,483

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2014, if the KHR had weakened/strengthened by 2% [based on the fluctuation of exchange rate for the last three years] against US\$ with all other variables held constant, the recalculated net profit for the year would have been KHR25 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of its financial assets and financial liabilities.

As at 31 December 2014, if the KHR had weakened/strengthened by 5% [based on the fluctuation of exchange rate for the last three years] against THB with all other variables held constant, the recalculated net profit for the year would have been KHR6.7 million lower/higher, mainly as a result of foreign exchange gains/losses on translation of its financial assets and financial liabilities.

(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.

The Company's financial assets and financial liabilities bear fixed interest rates, except for borrowings from lenders of KHR32,600 million (US\$8 million dominated currency) as at 31 December 2014 bearing the floating interest rates using LIBOR plus margin. With all other variables held constant, if the floating interest rate fluctuates by 50% (based on the fluctuation for the last three years) against the average LIBOR rate of 0.34% per annum (2014), net profit for the year ended 31 December 2014 will fluctuate by KHR44 million (US\$10 thousand).

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 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 2014							
Financial assets							
Cash on hand	-	-	-	-	-	1,660,618	1,660,618
Balances with the Central Bank	-	-	-	-	-	23,668	23,668
Balances with banks	8,249,072	4,710,647	40,069,409	-	-	3,625,465	56,654,593
Loans to customers	23,629,266	59,381,352	259,764,722	126,832,825	70,090	-	469,678,255
Other assets	-	-	-	-	-	8,834,170	8,834,170
Total financial assets	31,878,338	64,091,999	299,834,131	126,832,825	70,090	14,143,921	536,851,304
Financial liabilities							
Bank overdraft	-	-	2,678,858	9,760,719	-	-	12,439,577
Borrowings	25,795,833	40,811,306	117,975,215	214,291,001	19,261,574	840,151	418,975,080
Other payables	-	-	-	-	-	11,710,850	11,710,850
Total financial liabilities	25,795,833	40,811,306	120,654,073	224,051,720	19,261,574	12,551,001	443,125,507
Total interest repricing gap	6,082,505	23,280,693	179,180,058	(97,218,895)	(19,191,484)	1,592,920	93,725,797

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 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	-	-	4,421,771	17,405,521
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	28,912,466	47,648,626	216,760,251	60,154,915	-	19,283,530	372,759,788
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	24,752,524	38,483,153	111,024,602	105,393,977	17,631,820	9,706,229	306,992,305
Total interest repricing gap	4,159,942	9,165,473	105,735,649	(45,239,062)	(17,631,820)	9,577,301	65,767,483

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 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 DECEMBER 2014

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 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 2014							
Liabilities							
Bank overdraft	-	-	2,678,858	9,760,719	-	-	12,439,577
Borrowings	1,345,833	40,811,306	129,002,865	228,553,501	19,261,575	-	418,975,080
Other payables	6,793,383	5,527,969	21,496,818	29,694,946	2,117,255	-	65,630,371
Total financial liabilities (contractual maturing dates)	<u>8,139,216</u>	<u>46,339,275</u>	<u>153,178,541</u>	<u>268,009,166</u>	<u>21,378,830</u>	-	<u>497,045,028</u>
Total financial assets (expected maturing dates)	<u>48,965,041</u>	<u>84,677,269</u>	<u>357,805,620</u>	<u>147,483,850</u>	<u>71,249</u>	-	<u>639,003,029</u>
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>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>431,296,598</u>

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD COVERING 01 JANUARY 2014 TO 30 SEPTEMBER 2014**

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 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 25.

26.4 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	
	2014	2013	2014	2013
	KHR'000	KHR'000	KHR'000	KHR'000
Financial assets				
Balances with the Central Bank	23,668	17,405,521	23,668	17,405,521
Balances with banks	56,654,593	48,917,665	56,654,593	48,917,665
Loans to customers	469,678,255	298,965,299	469,678,255	298,965,299
Other assets	8,834,170	6,146,529	8,834,170	6,146,529
	<u>535,190,686</u>	<u>371,435,014</u>	<u>535,190,686</u>	<u>371,435,014</u>
Financial liabilities				
Bank overdraft	12,439,577	-	12,439,577	-
Borrowings	418,975,080	295,963,017	418,975,080	295,963,017
Other payables	11,710,850	9,106,729	11,710,850	9,106,729
	<u>443,125,507</u>	<u>305,069,746</u>	<u>443,125,507</u>	<u>305,069,746</u>

i. Balances with the Central Bank

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

THANEAKEA PHUM (CAMBODIA) LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD COVERING 01 JANUARY 2014 TO 30 SEPTEMBER 2014

26. FINANCIAL RISK MANAGEMENT (continued)

26.4 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.

26.5 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:

	2014		2013	
	KHR'000	US\$	KHR'000	US\$
Tier 1 Capital				
Share capital	23,368,200	5,734,528	23,368,200	5,849,362
Reserves	3,695,521	906,876	3,107,877	777,941
Retained earnings	69,927,975	17,160,239	41,792,553	10,461,215
	<u>96,991,696</u>	<u>23,801,643</u>	<u>68,268,630</u>	<u>17,088,518</u>
Tier 2 Capital				
Subordinated debt (*)	8,150,000	2,000,000	-	-
Total regulatory capital	<u>105,141,696</u>	<u>25,801,643</u>	<u>68,268,630</u>	<u>17,088,518</u>

(*). Subordinated debt was approved by the Central Bank in September 2014.

THANEAKEA PHUM (CAMBODIA) LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD COVERING 01 JANUARY 2014 TO 30 SEPTEMBER 2014**

26. FINANCIAL RISK MANAGEMENT (continued)

26.5 Capital management (continued)

The Company's Return on Average Equity is calculated as profit for the year (exclusive of grant income) divided by average equity for the last 13 months (exclusive of subordinated debts) and presented as below:

	2014		2013	
	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Profit for the year (exclusive of grant income)	30,427,910	7,466,972	17,114,377	4,283,949
Average equities for the last 13 months (exclusive of subordinated debts).	<u>81,936,868</u>	<u>20,107,207</u>	<u>57,377,153</u>	<u>14,362,241</u>
Return on Average Equity	<u>37.14%</u>	<u>37.14%</u>	<u>29.83%</u>	<u>29.83%</u>

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

**COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2014****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 2014, the solvency ratio of the Company is 19.31%.

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 2014, 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 2014, the net open position in THB and US\$ were long 0.28% and 1.46% respectively.

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 2014, 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 2014****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 2014, the mandatory provision provided by the Company was KHR 209 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 2014

NET WORTH RATIO

	KHR'000
<i>I- Sub-total A : Items to be added</i>	
- Capital or endowment	23,368,200
- Reserve, other than revaluation reserves	3,695,521
- Premium related to capital (share premiums)	-
- Provision for general banking risks, with the prior agreement of the NBC	-
- Retained earnings	39,493,189
- Audited net profit for the latest financial year	30,434,786
- Other items approved by the National Bank of Cambodia	-
	<u>96,991,696</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>96,991,696</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	8,150,000
- 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>8,150,000</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>105,141,696</u>

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 30 SEPTEMBER 2014

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

Net worth	<u>105,141,696</u>
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II- Denominator (B)

Assets (*)

	KHR '000	Weighting	
- Cash	1,660,618	0%	-
- Gold	-	0%	-
- Claims on the NBC	1,207,278	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>544,435,062</u>	100%	<u>544,435,062</u>
	<u>547,302,958</u>		<u>544,435,062</u>

III- Solvency ratio (A/B)19.31%

(*): 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 2014

	<u>KHR'000</u>
I- Numerator: LIQUID ASSETS (A)	
Cash on hand	1,660,618
Balances with the Central Bank (excluding statutory deposits)	23,668
Balances with other banks	<u>56,654,593</u>
	<u>58,338,879</u>
<i>Less:</i>	
- Amounts owed to NBC	-
- Amounts owed to other banks (maturity less than one month)	<u>1,345,833</u>
	<u>1,345,833</u>
Net liquidity	<u>56,993,046</u>
<i>Plus:</i>	
- Portion of loans maturing in less than one month	<u>23,629,266</u>
LIQUID ASSETS	<u>80,622,312</u>
II- Denominator: ADJUSTED AMOUNT OF DEPOSITS (B)	
	KHR'000 %
Voluntary savings	- _____ -
III- LIQUIDITY RATIO (A/B)	<u><u>N/A</u></u>

SCHEDULE 3
NET OPEN POSITION AS AT 31 DECEMBER 2014

Currency	Assets KHR'000	Liabilities and capital KHR'000	Net open position KHR'000	NOP/ Net worth %	Limit %
Khmer Riel (KHR)	202,224,143	(204,059,424)	(1,835,281)	-1.75%	20%
US Dollars (US\$)	304,483,896	(302,945,267)	1,538,629	1.46%	20%
Thai Baht (THB)	<u>40,594,919</u>	<u>(40,298,267)</u>	<u>296,652</u>	0.28%	20%
Total	<u>547,302,958</u>	<u>(547,302,958)</u>	<u>-</u>		
Net worth			<u>105,141,696</u>		

**SCHEDULE 4
RESERVE REQUIREMENT AS AT 31 DECEMBER 2014**

	<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>

SCHEDULE 5
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2014

	Amount KHR'000	Rate %	Specific Provision KHR'000
Loan classification			
1-Loans of one year or less			
1-1 Standard	161,727,773	0%	-
1-2 Substandard Past Due ≥ 30 days	32,690	10%	3,269
1-3 Doubtful Past Due ≥ 60 days	23,005	30%	6,902
1-4 Loss Past Due ≥ 90 days	60,725	100%	60,725
Sub-Total 1	<u>161,844,193</u>		<u>70,896</u>
2-Loans of more than one year			
2-1 Standard	307,950,482	0%	-
2-2 Substandard Past Due ≥ 30 days	152,456	10%	15,246
2-3 Doubtful Past Due ≥ 180 days	103,113	30%	30,934
2-4 Loss Past Due ≥ 360 days	91,864	100%	91,864
Sub-Total 2	<u>308,297,915</u>		<u>138,044</u>
Grand total 1+2	<u><u>470,142,108</u></u>		<u><u>208,940</u></u>
All loan past due > 30 days (A)			463,853
Loan outstanding (B)			<u>470,142,108</u>
Delinquency ratio (A/B)			<u><u>0.10%</u></u>