

THANEAKEA PHUM (CAMBODIA), LTD.

**Financial Statements
for the year ended 31 December 2012
and
Report of the Independent Auditors**

Corporate information

Company	Thaneakea Phum (Cambodia), Ltd.
Registration No	Co. 1413/02E
Registered office	No. 94, Street 360, Sangkat Boeung Keng Kang III, Khan Chamkamon, Phnom Penh Kingdom of Cambodia
Shareholders	DWM Funds S.C.A.-SICAV SIF TPC-ESOP Co., Ltd.
Board of Directors	Mrs. Fernanda Pecanha Lacerda De Lima, Chairperson (non-executive) (appointed on 15 July 2012) Mrs. Jessica Moffett-Rose, Director (non-executive) Mr. Chandula P.Abeywickrema, Director (non-executive) Mr. Christophe Forsinetti, Director (non-executive) Mr. Michael John Spingler, Chairman (resigned on 15 July 2012)
Management team	Mrs. Nurhayrah Sadava, Chief Executive Officer Mr. Sok Voeurn, Deputy Chief Executive Officer Mr. Sok Sophal, Chief Finance Officer
Auditor	KPMG Cambodia Ltd

Thaneakea Phum (Cambodia), Ltd.

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Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Thaneakea Phum (Cambodia), Ltd. (“the Company” or “TPC”) for the year ended 31 December 2012.

Principal activity

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

Financial results

The financial results of the Company for the year ended 31 December 2012 were as follows:

	KHR'000
Profit before income tax	11,136,673
Income tax expense	(2,269,139)
Net profit for the year	<u>8,867,534</u>

Reserves and provisions

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

Bad and doubtful loans

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

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

Dividends

During the financial year, the Company declared and paid dividends of KHR586,758 thousand in respect of the prior year’s retained earnings.



Thaneakea Phum (Cambodia), Ltd.

Report of the Board of Directors (continued)

Share capital

On 26 April 2012, the Company requested to the National Bank of Cambodia to increase its share capital to KHR12,176,400 thousand by capitalising KHR6,000,000 thousand from retained earnings. The National Bank of Cambodia approved the increase in share capital in a letter dated 14 June 2012.

The share capital structure and the details of authorised and registered shareholding are as follows:

	← 2012 →			← 2011 →		
	% of Ownership	Number of shares	Amount KHR'000	% of Ownership	Number of shares	Amount KHR'000
DWM Funds S.C.A.						
-SICAV SIF	89.82	109,366	10,936,600	89.82	55,474	5,547,400
TPC-ESOP Co., Ltd.	10.18	12,398	1,239,800	10.18	6,290	629,000
	<u>100</u>	<u>121,764</u>	<u>12,176,400</u>	<u>100</u>	<u>61,764</u>	<u>6,176,400</u>

The total number of shares registered, authorised and paid up is 121,764 shares (31 December 2011: 61,764 shares) with a par value of KHR100,000 per share (31 December 2011: KHR100,000).

The amendment on the Memorandum & Articles of Association of the Company was approved by the National Bank of Cambodia on 2 August 2012 and the Ministry of Commerce on 7 September 2012.

Current assets

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

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

Valuation methods

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

Thaneakea Phum (Cambodia), Ltd.

Report of the Board of Directors (continued)

Contingent and other liabilities

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

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

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

Change of circumstances

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

Items of unusual nature

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

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

Events since the reporting date

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

Thaneakea Phum (Cambodia), Ltd.

Report of the Board of Directors (continued)

The Board of Directors

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

- Mrs. Fernanda Pecanha Lacerda De Lima Chairperson, (non-executive)
(appointed on 15 July 2012)
- Mrs. Jessica Moffett-Rose Director, (non-executive)
- Mr. Chandula P.Abeywickrema Director, (non-executive)
- Mr. Christophe Forsinetti Director, (non-executive)
- Mr. Michael John Spingler Chairman, (resigned on 15 July 2012)

Directors' interests

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

Directors' benefits

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

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

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

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

Thaneakea Phum (Cambodia), Ltd.

Report of the Board of Directors (continued)

Responsibilities of the Board of Directors in respect of the financial statements (continued)

- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- (v) control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

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



Mr. Christophe Forsinetti

Director

5 March 2013



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Report of the independent auditors

To the shareholders

Thaneakea Phum (Cambodia), Ltd.

We have audited the accompanying financial statements of Thaneakea Phum (Cambodia), Ltd. (“the Company” or “TPC”), which comprise the balance sheet as at 31 December 2012, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 8 to 46.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, 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.

Auditors’ 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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 Thaneakea Phum (Cambodia), Ltd. as at 31 December 2012, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

For KPMG Cambodia Ltd



Craig McDonald
Audit Partner

Phnom Penh, Kingdom of Cambodia

5 March 2013

Thaneakea Phum (Cambodia), Ltd.

Balance sheet As at 31 December 2012

	Note	2012 KHR'000	2011 KHR'000
ASSETS			
Cash on hand	4	939,095	474,214
Deposits and placements with banks	5	44,318,966	45,292,288
Statutory deposits	6	624,020	324,020
Loans to customers	7	192,985,045	133,743,863
Other receivables	8	5,206,044	3,874,124
Property and equipment	9	2,391,649	1,532,569
Intangible assets	10	18,570	7,409
Long term investment	11	59,925	60,585
Deferred tax assets	12	200,693	250,362
TOTAL ASSETS		246,744,007	185,559,434
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	13	155,478	292,456
Borrowings	14	191,839,632	147,713,373
Other liabilities	15	8,069,777	3,664,036
Deferred grant income		9,168	12,224
Current income tax liability	12	1,759,349	1,311,518
TOTAL LIABILITIES		201,833,404	152,993,607
EQUITY			
Share capital	16	12,176,400	6,176,400
Reserves		2,531,770	1,955,663
Retained earnings		26,138,433	24,433,764
Subordinated debt	17	4,064,000	-
TOTAL EQUITY		44,910,603	32,565,827
TOTAL LIABILITIES AND EQUITY		246,744,007	185,559,434

The accompanying notes form an integral part of these financial statements.

Thaneakea Phum (Cambodia), Ltd.
Income statement
for the year ended 31 December 2012

	Note	2012 KHR'000	2011 KHR'000
Interest income	18	50,002,257	35,538,246
Interest expense	19	(16,382,217)	(11,365,283)
Net interest income		<u>33,620,040</u>	<u>24,172,963</u>
Other operating income	20	466,175	504,032
Operating income		<u>34,086,215</u>	<u>24,676,995</u>
Commission expenses	21	(690,790)	(426,796)
Personnel expenses	22	(13,824,745)	(11,222,570)
Depreciation and amortisation		(1,039,706)	(693,264)
Administrative expenses	23	(6,985,662)	(4,977,612)
(Addition)/reversals of allowance for bad and doubtful loans	7	(411,695)	60,019
Profit from operations		<u>11,133,617</u>	<u>7,416,772</u>
Grant income		3,056	4,075
Profit before income tax		<u>11,136,673</u>	<u>7,420,847</u>
Income tax expense	12	(2,269,139)	(1,529,166)
Net profit		<u><u>8,867,534</u></u>	<u><u>5,891,681</u></u>

The accompanying notes form an integral part of these financial statements.

Thaneakea Phum (Cambodia), Ltd.

Statement of changes in equity for the year ended 31 December 2012

	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Subordinated debt KHR'000	Total KHR'000
As at 1 January 2011	4,000,000	1,373,211	19,473,535	-	24,846,746
Additional share capital issued	2,176,400	-	-	-	2,176,400
Net profit for the year	-	-	5,891,681	-	5,891,681
Transfer to reserves	-	582,452	(582,452)	-	-
Dividends paid	-	-	(349,000)	-	(349,000)
At 31 December 2011	<u>6,176,400</u>	<u>1,955,663</u>	<u>24,433,764</u>	<u>-</u>	<u>32,565,827</u>
Additional share capital issued	6,000,000	-	(6,000,000)	-	-
Net profit for the year	-	-	8,867,534	-	8,867,534
Transfer to reserves	-	576,107	(576,107)	-	-
Dividends paid	-	-	(586,758)	-	(586,758)
Subordinated debt	-	-	-	4,064,000	4,064,000
At 31 December 2012	<u>12,176,400</u>	<u>2,531,770</u>	<u>26,138,433</u>	<u>4,064,000</u>	<u>44,910,603</u>

The accompanying notes form an integral part of these financial statements.

Thaneakea Phum (Cambodia), Ltd.

Statement of cash flows for the year ended 31 December 2012

	2012 KHR'000	2011 KHR'000
Cash flows from operating activities		
Profit before income tax	11,136,673	7,420,847
Adjustments for non-cash income and expenses:		
Depreciation and amortisation	1,039,706	693,264
Grant income	(3,056)	(4,075)
Allowance/(reversals of allowance) for bad and doubtful loans	411,695	(60,019)
Property and equipment written off	23,018	-
	<hr/>	<hr/>
	12,608,036	8,050,017
Changes in:		
Deposits and placements with banks	265,217	(4,450,932)
Statutory deposits	(300,000)	(108,820)
Loans to customers	(59,652,877)	(45,223,934)
Other receivables	(1,331,920)	(1,509,520)
Deposits from customers	(136,978)	(102,525)
Other liabilities	4,405,741	958,103
	<hr/>	<hr/>
Cash used in operations	(44,142,781)	(42,387,611)
Income tax paid	(1,771,639)	(946,440)
	<hr/>	<hr/>
Net cash used in operating activities	(45,914,420)	(43,334,051)
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisition of property and equipment	(1,903,234)	(1,018,603)
Purchase of computer software	(29,731)	-
Long term investment	660	(60,585)
	<hr/>	<hr/>
Net cash used in investing activities	(1,932,305)	(1,079,188)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from borrowings	98,716,035	111,246,435
Repayments of borrowings	(54,589,776)	(62,614,556)
Dividends paid	(586,758)	(349,000)
Proceeds from subordinated debt	4,064,000	-
Proceeds from issuance of share capital	-	2,176,400
	<hr/>	<hr/>
Net cash generated from financing activities	47,603,501	50,459,279
	<hr/>	<hr/>

Thaneakea Phum (Cambodia), Ltd.

Statement of cash flows (continued) for the year ended 31 December 2012

	2012 KHR'000	2011 KHR'000
Net (decrease)/increase in cash and cash equivalents	(243,224)	6,046,040
Cash and cash equivalents at beginning of the year	24,346,339	18,300,299
Cash and cash equivalents at end of the year	<u>24,103,115</u>	<u>24,346,339</u>
Cash and cash equivalents comprise:		
Cash on hand (Note 4)	939,095	474,214
Deposit and placements with banks (Note 5) (with original maturities of 3 months or less)	23,164,020	23,872,125
	<u>24,103,115</u>	<u>24,346,339</u>

SIGNIFICANT NON-CASH TRANSACTIONS

During the year there were the following significant non-cash transactions:

	2012 KHR'000	2011 KHR'000
Increase in share capital as a result of transfer from the retained earnings	<u>6,000,000</u>	<u>-</u>

The accompanying notes form an integral part of these financial statements.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements for the year ended 31 December 2012

1. Background and principal activities

Thaneakea Phum (Cambodia), Ltd. (“the Company” or “TPC”), a licensed micro-finance institution, was 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.

TPC as a micro-finance institution will continue to be primarily, a rural-based credit institution with 39 locations (17 branches and a head office in Phnom Penh). TPC’s corporate objective is to provide reliable and affordable access to financial services to poor micro-entrepreneurs in rural areas and in the vicinity of Phnom Penh. Out of a total of 24 provinces and cities in Cambodia, TPC is already operating in 17 provinces, namely Banteay Meanchey, Battambang, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Kampot, Kandal, Kratie, Kep, Odor Meanchey, Phnom Penh, Prey Veng, Siem Reap, Svay Rieng, Takeo, and Pailin.

The National Bank of Cambodia (“NBC”) granted TPC 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 NBC extended this licence for another three-year period commencing from 12 February 2006 to 12 February 2009. On 14 January 2009, the Company obtained its indefinite licence from the NBC.

The registered office is located at House No. 94, Street 360, Sangkat Boeung Keng Kang III, Khan Chamkamon, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2012, the Company had 679 employees (31 December 2011: 545 employees).

2. Basis of preparation

(a) Statement of compliance

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

These financial statements were approved by the Board of Directors and authorised for issue on 5 March 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

2. Basis of preparation (continued)

(c) Functional and presentation currency

The Company transacts its business and maintains its accounting records in three currencies, Khmer Riel (“KHR”), United States Dollars (“US\$”) and Thai Baht (“THB”). Management has determined the KHR to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company as the majority of the loan transactions are in KHR.

Transactions in currencies other than KHR are translated into KHR at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in profit or loss.

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

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

(a) Financial instruments

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

(b) Basis of aggregation

The Company’s financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

3. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks with original maturities of three months or less and other highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Deposit and placements with banks

Deposits and placements with banks are carried at cost.

(e) Loans to customers

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

(f) Allowance for bad and doubtful loans

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

Classification	Number of days past due	Minimum provision
Short-term loans (less than one year):		
Sub-standard	30 – 59 days	10%
Doubtful	60 – 89 days	30%
Loss	90 days or more	100%
Long-term loans (more than one year):		
Sub-standard	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 any loan overdue more than 30 days. The amount of provision in excess of the defined percentages required by the National Bank of Cambodia (“NBC”) is shown as a general allowance.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

3. Significant accounting policies (continued)

(f) Allowance for bad and doubtful loans (continued)

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

Loans are written off when they are considered uncollectable. 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 and reversal of previous allowance are disclosed as other operating (loss)/income in the income statement.

(g) Statutory deposits

Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by NBC.

(h) Other receivables

Other receivables are carried at estimated realisable value.

(i) Property and equipment

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

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation of property and equipment is charged to the income statement on a declining balance basis using the net book value of the individual assets at the beginning of the year at the following rates:

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

3. Significant accounting policies (continued)

(i) Property and equipment (continued)

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

- (ii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iii) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(j) Intangible assets

Intangible assets are computer software that is stated at cost less accumulated amortisation and any accumulated impairment losses, if any. It is amortised on a declining method at the rate of 50% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(f).

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

All impairment losses are recognised in the income statement.

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

3. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Non-financial assets

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

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

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

(l) Deposits from customers

Deposits from customers are stated at placement value.

(m) Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalised and amortised over the period of the borrowings using the straight-line method.

(n) Provisions

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

3. Significant accounting policies (continued)

(o) Reserves

This represents profits from the Thaneakea Phum program. After deduction of previous loss, 5% of the net profit shall be transferred into the reserve fund. After NBC granted a license to TPC as a micro-finance institution on 23 May 2002, such transfer was ceased since the reserve fund reached 10% of the registered capital of the Company.

From 31 December 2010, the Company is required to set up a reserve by a lender, Instituto de Credito Oficial (“ICO”), in accordance with the requirement set out in the loan agreement. The reserve is transferred annually from the retained earnings based on the rate of 3.5% of the outstanding loan from ICO at the end of each year until 31 December 2021.

(p) Subordinated debt

Subordinated debt is treated as part of the Company’s equity and included in the Company’s net worth computation.

(q) Related parties

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

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

(r) Income and expense recognition

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

Expenses are recognised on an accrual basis.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

3. Significant accounting policies (continued)

(s) Grants

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

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

(t) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

(u) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised to equity.

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the 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.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

4. Cash on hand

	2012 KHR'000	2011 KHR'000
Head office	2,000	2,000
Branches	937,095	472,214
	<u>939,095</u>	<u>474,214</u>

The above amounts are analysed as follows:

Khmer Riel	466,379	261,983
US Dollars	428,855	187,891
Thai Baht	43,861	24,340
	<u>939,095</u>	<u>474,214</u>

5. Deposits and placements with banks

	2012 KHR'000	2011 KHR'000
<i>Current accounts</i>		
National Bank of Cambodia	8,757,156	12,464,640
ACLEDA Bank Plc.	2,414,363	194,159
Foreign Trade Bank of Cambodia	163,394	321,831
Maruhan Japan Bank Plc.	31,693	101,439
Phnom Penh Commercial Bank	3,975	-
<i>Savings accounts</i>		
ACLEDA Bank Plc.	3,311,077	3,101,882
Rural Development Bank of Cambodia	-	513
Phnom Penh Commercial Bank	762,757	-
Advanced Bank of Asia Limited	313,431	-
<i>Fixed deposit accounts</i>		
National Bank of Cambodia *	3,196,000	6,583,570
Foreign Trade Bank of Cambodia *	23,366,279	22,524,254
Maruhan Japan Bank Plc.	1,998,841	-
	<u>44,318,966</u>	<u>45,292,288</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

5. Deposits and placements with banks (continued)

*: These amounts were deposited as collateral to secure the borrowings as described in Note 14 (x) and 14 (xi).

Deposits and placements with banks are analysed as follows:

	2012 KHR'000	2011 KHR'000
(a) By maturity:		
Within 1 month	17,756,687	16,184,465
>1 to 3 months	5,407,333	7,687,660
>3 to 12 months	21,154,946	21,420,163
	<u>44,318,966</u>	<u>45,292,288</u>
(b) By currency:		
Khmer Riel	2,287,396	5,695,258
US Dollars	40,840,579	39,537,959
Thai Baht	1,190,991	59,071
	<u>44,318,966</u>	<u>45,292,288</u>
(c) By interest rate (per annum):		
Bank inside Cambodia	0.50% - 4.75%	0.03% - 5.00%

6. Statutory deposits

	2012 KHR'000	2011 KHR'000
Statutory deposits on:		
Registered share capital	608,820	308,820
Customers' deposits	15,200	15,200
	<u>624,020</u>	<u>324,020</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

6. Statutory deposits (continued)

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

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

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

7. Loans to customers

	2012 KHR'000	2011 KHR'000
Thaneakea Phum loans:		
Fixed terms	-	9,808
End of cycle	71,414,811	49,927,635
Solidarity group loans:		
Fixed terms	21,270,627	16,863,865
Individual loans:		
Fixed terms	76,162,697	51,962,754
End of cycle	23,159,936	14,186,628
Staff loans	1,360,932	963,676
	<hr/>	<hr/>
	193,369,003	133,914,366
Allowance for bad and doubtful loans		
Specific	(178,339)	(103,548)
General	(205,619)	(66,955)
	<hr/>	<hr/>
	(383,958)	(170,503)
	<hr/>	<hr/>
	192,985,045	133,743,863
	<hr/> <hr/>	<hr/> <hr/>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

7. Loans to customers (continued)

Movement in allowance for bad and doubtful loans is as follows:

	2012 KHR'000	2011 KHR'000
At beginning of the year	170,503	1,770,121
Additional/ (reversals) during the year	411,695	(60,019)
Written off during the year	(196,714)	(1,534,596)
Loss on foreign exchange	(1,526)	(5,003)
	<hr/>	<hr/>
At end of the year	<u>383,958</u>	<u>170,503</u>

Loans to customers are analysed as follows:

	2012 KHR'000	2011 KHR'000
(a) By maturity:		
Within 1 month	12,734,603	9,337,413
>1 to 3 months	30,502,693	22,877,718
>3 to 12 months	123,391,577	86,278,593
More than 12 months	26,740,130	15,420,642
	<hr/>	<hr/>
	<u>193,369,003</u>	<u>133,914,366</u>
(b) By currency:		
Khmer Riel	96,874,464	74,463,012
US Dollars	79,415,091	50,179,292
Thai Baht	17,079,448	9,272,062
	<hr/>	<hr/>
	<u>193,369,003</u>	<u>133,914,366</u>
(c) By economic sector:		
Agriculture	109,127,452	77,786,272
Trade and commerce	33,275,757	26,913,289
Services	17,676,038	11,401,533
Household/family	25,231,106	12,590,277
Construction	2,874,298	1,194,417
Transportation	929,664	547,960
Other categories	4,254,688	3,480,618
	<hr/>	<hr/>
	<u>193,369,003</u>	<u>133,914,366</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

7. Loans to customers (continued)

Loans to customers are analysed as follows: (continued)

	2012 KHR'000	2011 KHR'000
(d) By resident status:		
Residents	193,369,003	133,914,366
(e) By relationship:		
External customers	192,008,071	132,950,690
Staff loans	1,360,932	963,676
	<u>193,369,003</u>	<u>133,914,366</u>
(f) By location:		
Head office	223,190	111,613
Branches:		
Banteay Meanchey	8,899,675	5,269,752
Battambang	13,661,324	8,890,701
Chhouk	11,826,972	10,237,155
Kampong Cham	10,993,481	7,834,392
Kandal	11,582,477	10,111,333
Phnom Penh	11,124,802	9,104,807
Poipet	10,833,814	5,863,696
Bati	7,817,429	5,651,936
Siem Reap	21,493,066	14,385,348
Svay Rieng	14,967,046	10,167,803
Tramkok	11,775,674	9,263,550
Suong	9,031,274	6,988,416
Kratie	12,795,591	8,780,051
Prey Kabbas	8,079,776	5,500,008
Romeas Haek	6,456,405	4,325,320
Prey Veng	2,350,468	-
Kampong Speu	2,201,353	-
Oddar Meanchey	7,715,281	4,657,469
Ratanak Mondol	9,539,905	6,771,016
	<u>193,369,003</u>	<u>133,914,366</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

7. Loans to customers (continued)

Loans to customers are analysed as follows: (continued)

	2012 KHR'000	2011 KHR'000
(g) By performance:		
Standard loans:		
Secured	100,413,833	67,039,274
Unsecured	92,571,212	66,704,589
Sub-standard loans:		
Secured	124,332	37,194
Unsecured	19,867	18,456
Doubtful loans:		
Secured	78,134	15,443
Unsecured	30,208	8,657
Loss loans:		
Secured	67,266	23,146
Unsecured	64,151	67,607
	<u>193,369,003</u>	<u>133,914,366</u>
(h) By interest rate (per month):		
Loans in Khmer Riel	2.50% - 3.50%	2.50% - 3.50%
Loans in US Dollars	1.80% - 3.50%	1.80% - 3.50%
Loans in Thai Baht	2.50% - 3.50%	2.50% - 3.50%

8. Other receivables

	2012 KHR'000	2011 KHR'000
Interest receivable	3,688,886	2,760,273
Prepayments and deposits	1,289,510	760,835
Others	227,648	353,016
	<u>5,206,044</u>	<u>3,874,124</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

9. Property and equipment

	Office furniture and equipment KHR'000	Motor vehicles KHR'000	Computers KHR'000	Total KHR'000
Cost				
At 1 January 2012	276,507	2,999,421	1,420,992	4,696,920
Additions	170,695	1,323,013	409,526	1,903,234
Written off	(9,435)	(151,545)	(197,205)	(358,185)
At 31 December 2012	<u>437,767</u>	<u>4,170,889</u>	<u>1,633,313</u>	<u>6,241,969</u>
Less: Accumulated depreciation				
At 1 January 2012	154,317	1,851,539	1,158,495	3,164,351
Depreciation	73,130	612,845	335,161	1,021,136
Written off	(9,042)	(130,698)	(195,427)	(335,167)
At 31 December 2012	<u>218,405</u>	<u>2,333,686</u>	<u>1,298,229</u>	<u>3,850,320</u>
Carrying amounts				
At 31 December 2012	<u>219,362</u>	<u>1,837,203</u>	<u>335,084</u>	<u>2,391,649</u>
At 31 December 2011	<u>122,190</u>	<u>1,147,882</u>	<u>262,497</u>	<u>1,532,569</u>

10. Intangible assets

	Computer software	
	2012 KHR'000	2011 KHR'000
Cost		
At 1 January	160,567	160,567
Additions	29,731	-
At 31 December	<u>190,298</u>	<u>160,567</u>
Accumulated amortisation		
At 1 January	153,158	145,748
Amortisation	18,570	7,410
At 31 December	<u>171,728</u>	<u>153,158</u>
Carrying amounts		
At 31 December	<u>18,570</u>	<u>7,409</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

11. Long term investment

This represents the investment in the Credit Bureau of Cambodia (“CBC”). CBC is a private entity created by the Association of Banks in Cambodia (“ABC”). Its Memorandum of Understanding was signed on 20 January 2010 between the ABC, Cambodia Microfinance Association (“CMA”) and International Finance Corporation (“IFC”).

12. Income tax

(a) Applicable tax rates

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

(b) Current income tax liability

	2012 KHR'000	2011 KHR'000
Balance at beginning of year	1,311,518	618,069
Charge to income statement	2,219,470	1,639,889
Income tax paid	(1,771,639)	(946,440)
Balance at end of year	<u>1,759,349</u>	<u>1,311,518</u>

(c) Deferred tax assets

	2012 KHR'000	2011 KHR'000
Deferred tax assets	<u>200,693</u>	<u>250,362</u>

Deferred tax assets are attributable to the following:

	2012 KHR'000	2011 KHR'000
Provisions	172,887	245,821
Unrealised exchange loss	24,387	4,463
Depreciation	3,419	78
	<u>200,693</u>	<u>250,362</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

12. Income tax (continued)

(c) Deferred tax assets (continued)

Movement of deferred tax, net is as follows:

	2012 KHR'000	2011 KHR'000
At beginning of the year	250,362	139,639
(Charge to)/reversal from profit or loss	(49,669)	110,723
	<u>200,693</u>	<u>250,362</u>
At end of the year	<u><u>200,693</u></u>	<u><u>250,362</u></u>

(d) Income tax expense

	2012 KHR'000	2011 KHR'000
Current income tax	2,219,470	1,639,889
Deferred tax	49,669	(110,723)
	<u>2,269,139</u>	<u>1,529,166</u>
	<u><u>2,269,139</u></u>	<u><u>1,529,166</u></u>

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

	%	2012 KHR'000	%	2011 KHR'000
Profit before income tax		11,136,673		7,420,847
		<u>11,136,673</u>		<u>7,420,847</u>
Income tax using applicable income income tax rate	20	2,227,335	20	1,484,169
Effect of non-deductible expenses	0.38	41,804	0.61	44,997
		<u>2,269,139</u>		<u>1,529,166</u>
Effective income tax rate	<u>20.38</u>	<u><u>2,269,139</u></u>	<u>20.61</u>	<u><u>1,529,166</u></u>

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

13. Deposits from customers

	2012 KHR'000	2011 KHR'000
Compulsory deposits	155,307	156,201
Staff and other deposits	171	136,255
	<u>155,478</u>	<u>292,456</u>
Deposits from customers are analysed as follows:		
	2012 KHR'000	2011 KHR'000
(a) By maturity:		
Within 1 month	155,478	201,808
>1 to 3 months	-	1,113
>3 to 12 months	-	3,654
More than 12 months	-	85,881
	<u>155,478</u>	<u>292,456</u>
(b) By currency:		
Khmer Riel	134,324	142,102
US Dollars	9	275
Thai Baht	21,145	150,079
	<u>155,478</u>	<u>292,456</u>
(c) By interest rate (per annum):		
Compulsory deposits	-	-
Staff and other deposits	5.00% - 8.00%	5.00% - 8.00%

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

14. Borrowings

	Note	2012 KHR'000	2011 KHR'000
<i>Related parties:</i>			
DWM Income Funds S.C.A.-SICAV SIF	(i)	8,176,000	8,176,000
<i>Non-related parties:</i>			
Alterfin	(ii)	5,333,325	4,039,000
Calvert Foundation	(iii)	7,990,000	8,078,000
Grameen Credit Agricole	(iv)	7,598,000	5,588,000
Instituto de Credito Oficial	(v)	16,460,199	16,641,488
Novib Fonds	(vi)	15,111,751	17,297,688
Oikocredit	(vii)	12,027,000	8,959,000
responsAbility/PlaNIS	(viii)	22,140,303	18,104,497
Symbiotics	(ix)	15,984,834	12,117,000
Foreign Trade Bank of Cambodia	(x)	20,825,000	20,825,000
National Bank of Cambodia	(xi)	2,586,000	6,520,000
Aceda Bank Plc	(xii)	2,596,750	1,211,700
Incofin	(xiii)	18,487,500	8,039,000
Maruhan Japan Bank Plc	(xiv)	2,663,323	4,039,000
CYRANO	(xv)	21,972,500	8,078,000
Proparco	(xvi)	11,787,847	-
Good Return	(xvii)	99,300	-
Total		<u>191,839,632</u>	<u>147,713,373</u>

- (i) Loans from DWM Income Funds S.C.A.-SICAV SIF are unsecured. Interest is due on a quarterly basis while the principal of term loans is to be repaid in four equal instalments starting from 27 May 2013.
- (ii) Loans from Alterfin are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid in three instalments of US\$165,000; US\$165,000 and US\$170,000 in the next 24, 30 and 36 months subsequently after the starting date of the loan on 4 October 2010, 4 August 2011 and 4 June 2012 respectively.
- (iii) Loans from Calvert Foundation are unsecured. Interest is due on a quarterly basis while the principal is to be repaid at the end of the loan terms on 28 September 2013.
- (iv) Loans from Grameen Credit Agricole are unsecured. The interest is due on a semi-annual basis while the principal is to be repaid in five instalments on 15 April and 15 October each year. The first repayment of each loan starts from 15 October 2011, 15 October 2012 and 15 October 2013 respectively.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

14. Borrowings (continued)

- (v) Loans from Instituto de Credito Oficial are unsecured. Interest is due on a quarterly basis while the principal is to be repaid in six annual instalments starting from 12 April 2017.
- (vi) Loans from Novib Fonds are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid in four equal instalments of US\$945,667, each from 15 January 2014.
- (vii) Loans from Oikocredit are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid in five consecutive equal instalments, of which the first repayment is made 1 year after the 1st disbursement and every 6 months thereafter. The four loans were disbursed on 2 April and 22 June 2010, 10 May 2011, 5 July 2011 and 26 September 2012 respectively.
- (viii) Loans from responsAbility/PlaNIS are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid at the end of the loan terms on 13 February 2013, 23 May 2013, 23 September 2013, 30 June 2014, 23 July 2014 and 5 December 2014 respectively.
- (ix) Loans from Symbiotics are unsecured. Interest is due on a semi-annual and an annual basis, and each of the principal is to be repaid at the maturity date on 28 January 2013, 5 May 2013, 30 May 2013, 7 November 2013, 26 April 2014, 26 May 2014 and 31 October 2014 respectively.
- (x) Loans from Foreign Trade Bank of Cambodia are secured by a fixed deposit of KHR 23,366 million (Note 5). Interest is due on a monthly basis while the principal is to be repaid at the end of the loan terms on 11 March 2013, 18 April 2013, 12 May 2013, 14 August 2013, 6 December 2013 and 20 December 2013 respectively.
- (xi) Loans from National Bank of Cambodia are secured by a fixed deposit of KHR3,196 million (Note 5). Interest is due on a monthly basis while the principal is to be repaid at the end of the loan terms on 14 February 2013 and 25 April 2013 respectively.
- (xii) Loans from Aceda Bank Plc are unsecured. Interest is due on a monthly basis while the principal is to be repaid in two equal annual instalments after the disbursement date. The loans were disbursed on 27 April 2011 and 11 June 2012 respectively.
- (xiii) Loans from Incofin are unsecured. Interest is due on a quarterly and semi-annual basis while the principal is to be repaid at the end of the loan terms on 22 March 2013, 24 March 2014, 25 December 2014 and 7 May 2015 respectively.
- (xiv) Loans from Maruhan Japan Bank Plc are unsecured. Interest is due on a monthly basis while the principal is to be repaid in twelve quarterly equal instalments each of US\$83,334 starting from 27 January 2012 to 27 October 2014.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

14. Borrowings (continued)

- (xv) Loans from CYRANO (Global Microfinance Facility and Microfinance Enhancement Facility S.A., SICAV-SIF) are unsecured. Interest is due on a quarterly and semi-annual basis while the principal of US\$2,000,000 is to be repaid in two equal instalments on 13 January 2014 and 11 April 2014, and another principal of US\$1,000,000 and 2,500,000 are to be repaid at the end of loan term on 17 February 2015 and 17 December 2015.
- (xvi) Loans from Proparco are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid in seven consecutive equal instalments on every 15 March and 15 September from year 2013 to 2016.
- (xvii) Loan from Good Return is interest free while the principal is to be repaid in 12 months from the disbursement date on 27 December 2012. The aim of the Good Return Program is to provide a sustainable means for low-income people in Australia and in the Asia Pacific region to improve their lives through access to capital and skills development opportunities.

Borrowings are analysed as follows:

	2012 KHR'000	2011 KHR'000
(a) By maturity:		
Within 1 month	3,329,169	2,356,085
>1 to 3 months	14,679,919	9,548,498
>3 to 12 months	58,118,286	40,061,893
1 to 5 years	101,995,425	79,105,409
Over 5 years	13,716,833	16,641,488
	<u>191,839,632</u>	<u>147,713,373</u>
(b) By currency:		
Khmer Riel	53,614,147	44,441,000
US Dollars	121,466,097	95,735,876
Thai Baht	16,759,388	7,536,497
	<u>191,839,632</u>	<u>147,713,373</u>
(c) By interest rate (per annum):		
Borrowings	5.50% - 14.50%	5.50% - 13.15%

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

15. Other liabilities

	2012 KHR'000	2011 KHR'000
Interest payables	2,939,942	1,958,184
Year-end bonus	886,753	589,168
Khmer New Year and Pchum Ben bonus, and incentive	992,781	731,015
Withholding tax payable	252,842	195,486
Other payables *	2,997,459	190,183
	<u>8,069,777</u>	<u>3,664,036</u>

*: Amounting to KHR2,671,100 thousand included in other payables represent the capital injection which is not yet approved by NBC.

16. Share capital

On 26 April 2012, the Company requested to the National Bank of Cambodia to increase its share capital to KHR12,176,400 thousand by capitalising KHR6,000,000 thousand from retained earnings. The National Bank of Cambodia approved the increase in share capital in a letter dated 14 June 2012.

The share capital structure and the details of authorised and registered shareholding are as follows:

	←	2012	→	←	2011	→
	% of Ownership	Number of shares	Amount KHR'000	% of Ownership	Number of shares	Amount KHR'000
DWM Funds S.C.A.						
-SICAV SIF	89.82	109,366	10,936,600	89.82	55,474	5,547,400
TPC-ESOP Co., Ltd	10.18	12,398	1,239,800	10.18	6,290	629,000
	<u>100</u>	<u>121,764</u>	<u>12,176,400</u>	<u>100</u>	<u>61,764</u>	<u>6,176,400</u>

The total number of shares registered, authorised and paid up is 121,764 shares (31 December 2011: 61,764 shares) with a par value of KHR100,000 per share (31 December 2011: KHR100,000).

The amendment on the Memorandum & Articles of Association of the Company was approved by the National Bank of Cambodia on 2 August 2012 and the Ministry of Commerce on 7 September 2012.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

17. Subordinated debt

This represents funds which were provided by the shareholder, DWM Funds S.C.A.-SICAV SIF (“the Lender”), with the interest rate of 14.50% per annum for the purpose of providing services in the field of microfinance. This 6-year-debt was approved by NBC on 24 August 2012.

All or any portion of the outstanding principal amount of the subordinated debt and the capitalised interest may be converted by Lender into shares at any time upon 30 days written notice of conversion by the Lender to the TPC.

18. Interest income

	2012 KHR'000	2011 KHR'000
Loans to customers	48,815,688	34,629,104
Deposits and placements with banks	1,186,569	909,142
	<u>50,002,257</u>	<u>35,538,246</u>

19. Interest expense

	2012 KHR'000	2011 KHR'000
Borrowings	16,370,697	11,351,118
Customers' deposits	11,520	14,165
	<u>16,382,217</u>	<u>11,365,283</u>

20. Other operating income

	2012 KHR'000	2011 KHR'000
Loss on foreign exchange	(161,895)	(69,907)
Recovery from loans written off	442,866	557,350
Penalty income	21,863	7,365
Other income	186,359	9,224
Loss on disposal of property and equipment	(23,018)	-
	<u>466,175</u>	<u>504,032</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

21. Commission expenses

Commission expenses represent payments to the Group Leaders (GLs), the Village Leaders (VLs) and key persons (including commune leaders, district leaders and other influential persons). The basis of the incentive is calculated at a maximum rate of 2%, 3% and 5% of the interest collected for key persons, GLs and VLs, respectively.

22. Personnel expenses

	2012 KHR'000	2011 KHR'000
Salaries and wages	12,791,437	10,553,963
Other short-term benefits	1,033,308	668,607
	<u>13,824,745</u>	<u>11,222,570</u>

23. Administrative expenses

	2012 KHR'000	2011 KHR'000
Travelling expenses	1,551,403	1,037,213
Rental expenses	1,242,043	907,295
Professional services	275,754	211,833
Bank and service charges and other fees	802,734	566,014
Office supplies and equipment	680,322	465,422
Utilities	465,981	343,142
Communications	374,115	292,720
Photocopies and printing	176,975	150,936
Other expenses	1,416,335	1,003,037
	<u>6,985,662</u>	<u>4,977,612</u>

24. Related party transactions and balances

(a) Related party transactions:

	2012 KHR'000	2011 KHR'000
Key management		
Salary and other benefits	1,673,354	1,953,204
Interest income	-	1,033

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

24. Related party transactions and balances (continued)

(a) Related party transactions: (continued)

	2012 KHR'000	2011 KHR'000
Interest expense		
Mr. Michael John Spingler	-	6,293
DWM Income Funds S.C.A.-SICAV SIF	1,242,747	757,046
DWM Funds S.C.A.-SICAV SIF	626,188	-
	<u>1,868,935</u>	<u>763,339</u>

(b) Related party balances:

DWM Income Funds S.C.A.-SICAV SIF (Note 14)	8,176,000	8,176,000
DWM Funds S.C.A.-SICAV SIF (Note 17)	4,064,000	-
	<u>12,240,000</u>	<u>8,176,000</u>

25. Commitments and contingencies

(a) Lease commitments

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

	2012 KHR'000	2011 KHR'000
Within one year	765,604	659,177
One to five years	968,512	359,392
	<u>1,734,116</u>	<u>1,018,569</u>

(b) Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management

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

(a) Credit risk

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

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

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

(i) Risk limit control and mitigation policies

The Company operates and provides loans to individual customers or group loans within the Kingdom of Cambodia. The Company manages limits and controls 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 individual customers and with group loans whereby members of the group can secure each other, which is common practice.

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

(ii) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 on the classification and provisioning for bad and doubtful debts of the National Bank of Cambodia. Refer to separate accounting policy stated in Notes 3(e) and 3(f).

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Exposure to credit risk:

	2012 KHR'000	2011 KHR'000
Loans to customers		
Neither past due nor impaired	192,753,694	133,716,928
Past due but not impaired	231,351	26,935
Individually impaired	383,958	170,503
	<hr/>	<hr/>
	193,369,003	133,914,366
Allowance for bad and doubtful loans	(383,958)	(170,503)
	<hr/>	<hr/>
	<u>192,985,045</u>	<u>133,743,863</u>

Impaired loans and advances

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers. In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loan to customers with payment overdue more than 30 days. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Notes 3(f).

Past due but not impaired loans and advances

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days, unless other information is available to indicate otherwise.

(b) Operational risk

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(b) Operational risk (continued)

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

(c) Market risk

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

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

(i) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars and Thai Baht. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Management does not enter into any currency hedging transaction since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

Concentration of currency risk

The aggregate amounts of assets and liabilities, by currency denomination, are as follows:

2012	← (KHR'000 equivalent) →			Total KHR'000
	KHR	US\$	THB	
Assets				
Cash on hand	466,379	428,855	43,861	939,095
Deposits and placements				
with banks	2,287,396	40,840,579	1,190,991	44,318,966
Statutory deposits	624,020	-	-	624,020
Loans to customers	96,733,501	79,196,390	17,055,154	192,985,045
Other receivables	2,126,869	2,747,670	331,505	5,206,044
Total financial assets	102,238,165	123,213,494	18,621,511	244,073,170

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency exchange risk (continued)

2012	← (KHR'000 equivalent) →			Total KHR'000
	KHR	US\$	THB	
Liabilities				
Deposits from customers	134,324	9	21,145	155,478
Borrowings	53,614,147	121,466,097	16,759,388	191,839,632
Other liabilities	5,823,350	1,866,805	379,622	8,069,777
Total financial liabilities	<u>59,571,821</u>	<u>123,332,911</u>	<u>17,160,155</u>	<u>200,064,887</u>
Net asset/(liability) position	<u>42,666,344</u>	<u>(119,417)</u>	<u>1,461,356</u>	<u>44,008,283</u>
31 December 2011				
Total financial assets	82,294,086	91,924,237	9,490,186	183,708,509
Total financial liabilities	46,644,176	97,155,924	7,869,765	151,669,865
Net asset/(liability) position	<u>35,649,910</u>	<u>(5,231,687)</u>	<u>1,620,421</u>	<u>32,038,644</u>

(ii) Interest rate risk

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

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

2012	Up to 1 month KHR'000	>1 – 3 months KHR'000	>3 – 12 months KHR'000	>1 – 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	939,095	939,095	-
Deposits and placements with banks	6,386,105	5,407,333	21,154,946	-	-	11,370,582	44,318,966	2.68%
Statutory deposits	-	-	-	-	608,820	15,200	624,020	3.00%
Loans to customers								
- Performing	12,488,940	30,457,052	123,321,105	26,717,948	-	-	192,985,045	25.30%
- Non performing	-	-	-	-	-	383,958	383,958	-
- Provision for bad and doubtful loans	-	-	-	-	-	(383,958)	(383,958)	-
Other receivables	-	-	-	-	-	5,206,044	5,206,044	-
Total financial assets	18,875,045	35,864,385	144,476,051	26,717,948	608,820	17,530,921	244,073,170	
Liabilities								
Deposits from customers	171	-	-	-	-	155,307	155,478	7.41%
Borrowings	3,329,169	18,674,919	72,094,486	83,924,925	13,716,833	99,300	191,839,632	8.53%
Other liabilities	-	-	-	-	-	8,069,777	8,069,777	-
Total financial liabilities	3,329,340	18,674,919	72,094,486	83,924,925	13,716,833	8,324,384	200,064,887	
Maturity gap	15,545,705	17,189,466	72,381,565	(57,206,977)	(13,108,013)	9,206,537	44,008,283	

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

2011	Up to 1 month KHR'000	>1 – 3 months KHR'000	>3 – 12 months KHR'000	>1 – 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	474,214	474,214	
Deposits and placements with banks	-	7,687,660	21,420,163	-	-	16,184,465	45,292,288	2.01%
Statutory deposits	-	-	-	-	308,820	15,200	324,020	3.00%
Loans to customers								
- Performing	9,166,910	22,877,718	86,458,593	15,240,642	-	-	133,743,863	25.86%
- Non performing	-	-	-	-	-	170,503	170,503	
- Provision for bad and doubtful loans	-	-	-	-	-	(170,503)	(170,503)	
Other receivables	-	-	-	-	-	3,874,124	3,874,124	
Total financial assets	9,166,910	30,565,378	107,878,756	15,240,642	308,820	20,548,003	183,708,509	
Liabilities								
Deposits from customers	136,255	-	-	-	-	156,201	292,456	4.84%
Borrowings	2,356,085	9,548,498	49,877,893	69,289,409	16,641,488	-	147,713,373	7.68%
Other liabilities	-	-	-	-	-	3,664,036	3,664,036	
Total financial liabilities	2,492,340	9,548,498	49,877,893	69,289,409	16,641,488	3,820,237	151,669,865	
Maturity gap	6,674,570	21,016,880	58,000,863	(54,048,767)	(16,332,668)	16,727,766	32,038,644	

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable-rate instruments

The change of 100 basis points (“bp”) in interest rates at the reporting date would have increased or decreased equity and income statement by the amounts shown below. This analysis assumes that all other variables remain the same.

	2012		2011	
	Income statement 100 bp decrease	Income statement 100 bp increase	Income statement 100 bp decrease	Income statement 100 bp increase
Variable rate instruments	237,985	(237,985)	130,960	(130,960)
Cash flow sensitivity	237,985	(237,985)	130,960	(130,960)

(d) Liquidity risk

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

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

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(d) Liquidity 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	No fixed terms KHR'000	Total KHR'000
2012							
Financial liabilities							
Deposits from customers	155,478	-	-	-	-	-	155,478
Borrowings	3,329,169	14,679,919	58,118,286	101,995,425	13,716,833	-	191,839,632
Other liabilities	4,027,691	2,817,231	1,124,934	-	99,921	-	8,069,777
	<u>7,512,338</u>	<u>17,497,150</u>	<u>59,243,220</u>	<u>101,995,425</u>	<u>13,816,754</u>	<u>-</u>	<u>200,064,887</u>
2011							
Financial liabilities							
Deposits from customers	201,808	1,113	3,654	278	-	85,603	292,456
Borrowings	2,356,086	9,548,498	40,061,892	79,105,409	16,641,488	-	147,713,373
Other liabilities	977,365	1,873,036	801,069	12,566	-	-	3,664,036
	<u>3,535,259</u>	<u>11,422,647</u>	<u>40,866,615</u>	<u>79,118,253</u>	<u>16,641,488</u>	<u>85,603</u>	<u>151,669,865</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2012

26. Financial risk management (continued)

(e) Capital management

(i) Regulatory capital

The Company's lead regulator, the National Bank of Cambodia, sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

27. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried in the balance sheet are approximately equal to their carrying values as at 31 December 2012.