

**ANGKOR MIKROHERANHVATHO
(KAMPUCHEA) CO., LTD**

**Financial Statements
for the year ended 31 December 2013
and
Report of the Independent Auditors**

Corporate Information

Company	Angkor Mikroheranhvatho (Kampuchea) Co., Ltd
Registration No	Co. 1698/03E
Registered office	#285, Yothapol Khemarak Phoumin Blvd. (St. 271), Sangkat Tomnub Teuk, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia
Shareholders	Concern Worldwide (Dublin) Rural Impulse Fund II Agora Microfinance N.V AMK – SA Concern Worldwide (UK)
Board of Directors	Mr. Chetan Tanmay, Chairman Mr. Patrick Peter Power, Director Mr. Howard William Dazell, Director Mr. Tip Janvibol, Director Ms. Mckenzie Geb. Sands Rebecca Ann, Director Mr. Adrian John Graham, Director Mr. Kea Borann, Director Ms. Blandine Claudia Marie Pons, Director (appointed on 7 June 2013) Mr. Thomas James O'Higgins, Director (appointed on 17 May 2013) Mr. Marcus Fedder, Director (resigned on 26 March 2013) Ms. Irina Ignatieva, Director (resigned on 18 July 2013)
Executive Committee	Mr. Kea Borann, Chief Executive Officer Mr. Mam Choeurn, Chief Operations Officer Mr. Chheang Taing, Chief Financial Officer Mr. Huot Sokha, Chief Business Officer
Auditor	KPMG Cambodia Ltd

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Report of the Board of Directors (continued)

Share capital (continued)

On 24 March 2014, Concern Worldwide (Dublin) and Concern Worldwide (UK) entered into the Sale and Purchase Agreements (SPA) with PROPARCO, CLDF and Agora Microfinance N.V to sell all of their shareholding. The acquisition is subject to approval by the NBC. Under the SPAs, Concern Worldwide (Dublin) agreed to sell 210,000 shares, 94,200 shares and 437,428 shares to PROPARCO, CLDF and Agora Microfinance N.V respectively and Concern Worldwide (UK) agreed to sell 100 shares to Agora Microfinance N.V. See Note 17 for detail.

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.

Current assets

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

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

Valuation methods

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

Angkor Mikroheranhvatho (Kampuchea) Co., 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;
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

Change of circumstances

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

Items of unusual nature

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

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

Events since the balance sheet date

No significant events occurred after the balance sheet date that requires disclosure or adjustment other than those already disclosed in the financial statements.

Angkor Mikroheranhvatho (Kampuchea) Co., 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:

- Mr. Tanmay Chetan, Chairman
- Mr. Patrick Peter Power, Director
- Mr. Howard William Dazell, Director
- Mr. Tip Janvibol, Director
- Ms. Mckenzie Geb. Sands Rebecca Ann, Director
- Mr. Adrian John Graham, Director
- Mr. Kea Borann, Director
- Ms. Blandine Claudia Marie Pons, Director (appointed on 7 June 2013)
- Mr. Thomas James O'Higgins, Director (appointed on 17 May 2013)
- Mr. Marcus Fedder, Director (resigned on 26 March 2013)
- Ms. Irina Ignatieva, Director (resigned on 18 July 2013)

Directors' interests

No members held any interest in the equity of the Company.

Directors' benefits

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

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

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 2013, 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;

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Report of the Board of Directors (continued)

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

- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating 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;
- (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 they have complied with the above requirements in preparing the financial statements.

On behalf of the Board of Directors



Mr. Tanmay Chetan
Chairman

Date: 26 MAR 2014



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REPORT OF THE INDEPENDENT AUDITORS

To the shareholders

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

We have audited the accompanying financial statements of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (“the Company” or “AMK”), which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity and 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 53.

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 the 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 Angkor Mikroheranhvatho (Kampuchea) Co., Ltd as at 31 December 2013, 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**



Nge Huy
Audit Partner

Phnom Penh, Kingdom of Cambodia

26 March 2014

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Balance sheet As at 31 December 2013

		2013		2012	
	Note	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
ASSETS					
Cash on hand	5	13,051,323	3,266,914	8,194,253	2,051,127
Deposits with National Bank of Cambodia	6	14,788,065	3,701,643	6,692,144	1,675,130
Deposits and placements with other banks	7	44,592,049	11,161,965	59,613,892	14,922,126
Loans to customers	8	313,393,956	78,446,547	246,279,816	61,647,013
Other assets	9	8,334,111	2,086,135	7,296,911	1,826,511
Property and equipment	10	8,143,319	2,038,378	4,870,623	1,219,180
Intangible assets	11	2,119,665	530,579	2,154,254	539,238
Deferred tax assets	12	1,492,582	373,613	969,232	242,611
TOTAL ASSETS		405,915,070	101,605,774	336,071,125	84,122,936
LIABILITIES AND EQUITY					
Liabilities					
Deposits from customers	13	74,755,898	18,712,365	34,416,534	8,614,902
Provision for income tax	12	2,671,872	668,804	2,386,208	597,299
Other liabilities	14	12,453,341	3,117,231	10,707,145	2,680,137
Borrowings	15	228,745,576	57,257,966	216,320,809	54,147,887
Provision for staff pension funds	16	5,702,918	1,427,514	4,143,372	1,037,140
Total liabilities		324,329,605	81,183,880	267,974,068	67,077,365
Shareholders' equity					
Share capital	17	34,881,325	8,731,245	34,579,200	8,655,620
Share premium	17	126,984	31,786	95,506	23,906
Advance capital contribution	17	268,496	67,208	333,603	83,505
Reserves	18	8,551,904	2,140,652	5,928,121	1,483,885
Retained earnings		37,756,756	9,451,003	27,160,627	6,798,655
Total shareholders' equity		81,585,465	20,421,894	68,097,057	17,045,571
TOTAL LIABILITIES AND EQUITY		405,915,070	101,605,774	336,071,125	84,122,936

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Income statement for the year ended 31 December 2013

		2013		2012	
	Note	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income	19	97,777,460	24,474,959	80,063,162	20,040,842
Interest expense	20	(25,980,544)	(6,503,265)	(22,110,037)	(5,534,427)
Net interest income		<u>71,796,916</u>	<u>17,971,694</u>	<u>57,953,125</u>	<u>14,506,415</u>
Fee and commission expenses	21	(7,110,828)	(1,779,932)	(4,799,215)	(1,201,305)
Other income	22	3,082,553	771,603	2,272,590	568,859
Other operating expenses	23	(49,491,329)	(12,388,318)	(40,337,816)	(10,097,075)
Allowance for bad and doubtful loans	8	(2,001,419)	(500,981)	(812,344)	(203,340)
Operating income		<u>16,275,893</u>	<u>4,074,066</u>	<u>14,276,340</u>	<u>3,573,554</u>
Grant income	24	-	-	6,007	1,504
Profit before income tax		<u>16,275,893</u>	<u>4,074,066</u>	<u>14,282,347</u>	<u>3,575,058</u>
Income tax expense	12	(3,055,981)	(764,951)	(2,748,789)	(688,057)
Net profit for the year		<u><u>13,219,912</u></u>	<u><u>3,309,115</u></u>	<u><u>11,533,558</u></u>	<u><u>2,887,001</u></u>

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Statement of changes in equity for the year ended 31 December 2013

	Share capital KHR'000	Share premium KHR'000	Advance capital contribution KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000	US\$
At 1 January 2012	34,579,200	95,506	-	3,304,338	18,250,852	56,229,896	14,075,068
Advance capital contribution	-	-	333,603	-	-	333,603	83,505
Transfers to reserves	-	-	-	2,623,783	(2,623,783)	-	-
Net profit for the year	-	-	-	-	11,533,558	11,533,558	2,886,998
At 31 December 2012	34,579,200	95,506	333,603	5,928,121	27,160,627	68,097,057	17,045,571
(US\$ equivalents - Note 4)	8,655,620	23,906	83,505	1,483,885	6,798,655	17,045,571	
At 1 January 2013	34,579,200	95,506	333,603	5,928,121	27,160,627	68,097,057	17,045,571
Additional share capital	302,125	31,478	(333,603)	-	-	-	-
Advance capital contribution	-	-	268,496	-	-	268,496	67,209
Transfers to reserves	-	-	-	2,623,783	(2,623,783)	-	-
Net profit for the year	-	-	-	-	13,219,912	13,219,912	3,309,114
At 31 December 2013	34,881,325	126,984	268,496	8,551,904	37,756,756	81,585,465	20,421,894
(US\$ equivalents - Note 4)	8,731,245	31,786	67,208	2,140,652	9,451,003	20,421,894	

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Statement of cash flows for the year ended 31 December 2013

		2013		2012	
	Note	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash flows from operating activities					
Net cash used in operating activities	25	(2,614,487)	(654,442)	(16,921,526)	(4,235,676)
Cash flows from investing activities					
Purchase of property and equipment		(4,904,774)	(1,227,728)	(1,966,615)	(492,269)
Purchase of intangible assets		(703,058)	(175,984)	(959,774)	(240,244)
Proceeds from disposals of property and equipment		2,029	509	127,483	31,911
Net cash used in investing activities		(5,605,803)	(1,403,203)	(2,798,906)	(700,602)
Cash flows from financing activities					
Proceeds from borrowings		101,667,270	25,448,628	99,077,252	24,800,313
Repayments of borrowings		(88,486,397)	(22,149,286)	(70,684,846)	(17,693,328)
Proceeds from advance capital contribution		268,496	67,208	333,603	83,505
Net cash generated from financing activities		13,449,369	3,366,550	28,726,009	7,190,490
Net increase in cash and cash equivalents		5,229,079	1,308,905	9,005,577	2,254,212
Cash and cash equivalents at beginning of year		29,510,425	7,386,840	20,504,848	5,132,628
Cash and cash equivalents at end of year	26	34,739,504	8,695,745	29,510,425	7,386,840

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements for the year ended 31 December 2013

1. Reporting entity

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. (“the Company” or “AMK”), a licensed micro-finance institution, was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under registration number Co. 1698/03E, dated 30 April 2003. AMK is engaged primarily in the provision of micro-finance services to the poor population of Cambodia through its headquarters in Phnom Penh and various offices in the Kingdom of Cambodia.

The Company was initially established in 1999 as Thanakea Ponleu Thmey (“TPT”) Programme by Concern Worldwide, Cambodia (“CWC”). All assets, liabilities and accumulated donations of TPT were transferred to the Company on 1 July 2003 against the issue of shares. The Company commenced to trade on the date of the asset transfer. On 29 January 2010, the Company obtained a Microfinance Deposit Taking Institution (“MDI”) license to conduct deposit taking business from the National Bank of Cambodia.

AMK has the following main guiding principles:

- AMK provides micro-finance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- AMK is committed to openness and transparency in all areas of management and operations.
- AMK is committed to developing processes/services and to adopting behaviours and standards that ensure optimum social performance, including client protection.
- AMK is a learning organisation where appropriate exchange and sharing of information will contribute to staff development, training and in policy and system improvements.

The registered office of the Company is currently located at #285, Yothapol Khemarak Phoumin Blvd.(St. 271), Sangkat Tomnub Teuk, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2013, the Company had 1,444 employees (31 December 2012: 1,187 employees).

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014.

(b) Basis of measurement

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

(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 have 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.

Transactions in currencies other than KHR are translated into KHR at the exchange rate 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 the income statement.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and 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 year in which the estimates are revised and in any future years affected.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

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, other receivables, borrowings and 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.

(c) Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(d) Deposits and placement with banks

Deposits and placements with banks are stated 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.

Loan are written off automatically when a client dies and in other case where the loans remain unpaid based on the assessment of the management and upon the approval of the Board of Directors as they are uncollectible. Loans written off are removed from the outstanding loan portfolio and from the allowance for bad and doubtful loans.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

3. Significant accounting policies (continued)

(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	Allowance
Short term loans (less than one year):		
Sub-standard	30 days or more	10%
Doubtful	60 days or more	30%
Loss	90 days or more	100%
Long term loans (more than one year):		
Sub-standard	30 days or more	10%
Doubtful	180 days or more	30%
Loss	360 days or more	100%

An additional general allowance for bad and doubtful loans is set at the rate of 1% of all outstanding performing loans excluding staff loans.

The allowance will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The allowance is recorded in the Company's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard.

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

Recoveries on loans previously written off and reversal of previous allowance are disclosed as a other income in the income statement.

(g) Other assets

Other assets are carried at lower of cost and estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the end of the reporting date.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

3. Significant accounting policies (continued)

(h) Property and equipment

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.
- (ii) Depreciation of property and equipment is charged to the income statement on a straight line basis over the estimated useful lives of the individual assets as follows:

Leasehold improvement	4 years
Motor vehicles	8 years
Motorcycles	5 years
Computer and office equipment	3 to 4 years

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

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

(i) Intangible assets

Intangible assets consist of computer software licenses and related costs and are stated at cost less accumulated amortisation and accumulated impairment losses; if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a straight line method over five years.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

3. Significant accounting policies (continued)

(j) Impairment

(i) *Financial assets*

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

(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.

(k) Deposits from customers

Deposits from customers are stated at cost.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

3. Significant accounting policies (continued)

(l) 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 year of the borrowings using the straight-line method.

(m) Provisions

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

(n) Provisions for staff pension funds

The Company provides its employees with benefits under the staff pension fund policy. Employees who complete three months of service with the Company have to participate in the staff pension fund scheme. The fund is sourced from the following:

- Employees contribute 3% of their monthly salary, and the Company contributes 6%. The Company's contribution is charged to the income statement.
- The Company contributes interest on the cumulative balance of the staff pension fund computed at 7% per annum. This interest is charged to the income statement.

The staff pension fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment. The employee's contribution and interest are paid in full accordingly.

Those who have been terminated due to serious misconduct are only entitled to his/her contribution plus interest, regardless of how long they have been employed by the Company.

(o) Income and expense recognition

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

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

Expenses are recognised on an accrual basis.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

3. Significant accounting policies (continued)

(p) Grants

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

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

(q) 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.

(r) Income tax

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

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting 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 reporting date.

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

3. Significant accounting policies (continued)

(s) Related parties

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

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% 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.

4. Translation of Khmer Riel into United States Dollars

The financial statements are stated in Khmer Riel ("KHR"). The translations of Khmer Riel amount into United States Dollars are included solely for presentation purposes and have been made using the prescribed official exchange rate as of 31 December 2013 of US\$1: KHR3,995 (31 December 2012 of US\$1: KHR3,995) published by the NBC. These convenience translations should not be construed as representations that the Khmer Riel amounts have been, could have been, or could in the future be, converted into United States Dollars at this or any other rate of exchange.

5. Cash on hand

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Head office	34,573	8,654	27,064	6,774
Branches	13,016,750	3,258,260	8,167,189	2,044,353
	<u>13,051,323</u>	<u>3,266,914</u>	<u>8,194,253</u>	<u>2,051,127</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

5. Cash on hand (continued)

The above amounts are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
By currency:				
Khmer Riel	7,536,863	1,886,574	5,609,475	1,404,124
US Dollars	5,084,452	1,272,703	2,441,012	611,017
Thai Baht	430,008	107,637	143,766	35,986
	<u>13,051,323</u>	<u>3,266,914</u>	<u>8,194,253</u>	<u>2,051,127</u>

6. Deposits with National Bank of Cambodia

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Statutory deposits:				
Capital guarantee deposit	3,488,133	873,125	3,457,920	865,562
Reserve requirement	5,679,500	1,421,652	2,780,000	695,870
	<u>9,167,633</u>	<u>2,294,777</u>	<u>6,237,920</u>	<u>1,561,432</u>
Current accounts	5,620,432	1,406,866	454,224	113,698
	<u>14,788,065</u>	<u>3,701,643</u>	<u>6,692,144</u>	<u>1,675,130</u>

Capital guarantee deposit

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Micro-Finance Institutions, the amounts of which are determined at 10% of the Company's registered share capital. The statutory deposit on registered share capital is refundable when the Company voluntarily liquidates and has no deposit liabilities.

The statutory deposit on registered capital placed with NBC earns interest at the rate of 3.00% per annum.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

6. Deposits with National Bank of Cambodia (continued)

Reserve requirement

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas No. B7-07-163 on Licensing of Micro-finance Deposit Taking Institutions. The statutory deposit on customers' deposits fluctuates depending on the level of the customers' deposits.

The statutory deposit relating to customers' deposits does not earn interest.

7. Deposits and placements with other banks

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current accounts	1,551,615	388,389	894,639	223,940
Savings accounts	14,516,134	3,633,576	13,970,253	3,496,934
Fixed deposits (*)	28,524,300	7,140,000	44,749,000	11,201,252
	<u>44,592,049</u>	<u>11,161,965</u>	<u>59,613,892</u>	<u>14,922,126</u>

(*) Fixed deposits consist of deposits with Foreign Trade Bank of Cambodia ("FTB") amounting to KHR28 billion (approximately US\$7,000,000) to secure back-to-back loans entered into in order to hedge currency exposure. (Note 15)

Deposits and placements with other banks are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Within 1 month	16,067,749	4,021,965	20,862,392	5,222,126
More than 3 months	28,524,300	7,140,000	38,751,500	9,700,000
	<u>44,592,049</u>	<u>11,161,965</u>	<u>59,613,892</u>	<u>14,922,126</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

7. Deposits and placements with other banks (continued)

Deposits and placements with other banks are analysed as follows (continued):

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(b) By currency:				
US Dollars	32,124,387	8,041,148	44,235,837	11,072,800
Khmer Riel	10,308,789	2,580,423	14,873,999	3,723,154
Thai Baht	2,158,873	540,394	504,056	126,172
	<u>44,592,049</u>	<u>11,161,965</u>	<u>59,613,892</u>	<u>14,922,126</u>
(c) By interest rate (per annum):				
	2013		2012	
Fixed deposits	1.00% - 5.00%		1.00% - 5.00%	
Savings accounts	<u>0.25% - 0.75%</u>		<u>0.25% - 0.75%</u>	

8. Loans to customers

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Village Bank loans:				
End of term	86,804,078	21,728,180	76,381,279	19,119,219
Credit line	64,756,592	16,209,410	78,577,194	19,668,885
Instalment	82,531,966	20,658,815	34,135,174	8,544,474
Individual loans:				
Instalment	37,097,151	9,285,895	22,554,211	5,645,610
End of term	26,589,948	6,655,807	26,518,298	6,637,872
Seasonal credit line	13,345,734	3,340,609	6,996,905	1,751,415
Staff loans	5,713,223	1,430,093	3,734,065	934,685
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>
Allowance for bad and doubtful loans				
Specific	(333,494)	(83,478)	(165,679)	(41,472)
General	(3,111,242)	(778,784)	(2,451,631)	(613,675)
	<u>(3,444,736)</u>	<u>(862,262)</u>	<u>(2,617,310)</u>	<u>(655,147)</u>
	<u>313,393,956</u>	<u>78,446,547</u>	<u>246,279,816</u>	<u>61,647,013</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

8. Loans to customers (continued)

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

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	2,617,310	655,147	2,669,726	668,267
Allowance for the year	2,001,419	500,981	812,344	203,340
Reversals	-	-	(541,091)	(135,442)
Written off during the year	(1,173,993)	(293,866)	(323,669)	(81,018)
At 31 December	<u>3,444,736</u>	<u>862,262</u>	<u>2,617,310</u>	<u>655,147</u>

The loans to customers are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Less than 1 month	25,298,229	6,332,473	16,046,843	4,016,732
1 to 3 months	89,867,488	22,494,991	41,023,720	10,268,766
3 to 12 months	163,426,887	40,907,857	157,401,340	39,399,585
More than 1 year	38,246,088	9,573,488	34,425,223	8,617,077
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>
(b) By currency:				
Khmer Riel	267,818,619	67,038,453	220,199,567	55,118,790
US Dollars	31,705,803	7,936,371	16,383,041	4,100,886
Thai Baht	17,314,270	4,333,985	12,314,518	3,082,484
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

8. Loans to customers (continued)

The loans to customers are analysed as follows (continued):

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(c) By economic sector:				
Agriculture	171,266,901	42,870,313	172,737,916	43,238,527
Trade and commerce	60,825,843	15,225,493	41,467,959	10,379,965
Household/family	6,690,813	1,674,797	15,881,393	3,975,317
Services	60,518,575	15,148,579	10,166,902	2,544,907
Construction	9,151,474	2,290,732	2,882,541	721,537
Transportation	1,704,466	426,650	868,120	217,302
Other categories	6,680,620	1,672,245	4,892,295	1,224,605
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>
(d) By residency status:				
Residents	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>
(e) By relationship:				
External customers	311,125,469	77,878,716	245,163,061	61,367,475
Staff loans	5,713,223	1,430,093	3,734,065	934,685
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>
(f) By location:				
Head office	1,740,504	435,671	989,569	247,702
Branches	315,098,188	78,873,138	247,907,557	62,054,458
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

8. Loans to customers (continued)

The loans to customers are analysed as follows (continued):

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(g) By performance:				
Standard loans:				
Secured	80,047,005	20,036,797	57,802,598	14,468,735
Unsecured	236,294,375	59,147,528	190,802,205	47,760,252
Sub-standard loans:				
Secured	17,646	4,417	55,513	13,896
Unsecured	83,071	20,794	40,124	10,044
Doubtful loans:				
Secured	45,793	11,463	41,023	10,269
Unsecured	58,740	14,703	16,842	4,215
Loans loss:				
Secured	156,705	39,225	50,371	12,609
Unsecured	135,357	33,882	88,450	22,140
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>
(h) By interest rate (per annum):				
	2013		2012	
External customers	24.00% - 36.00%		26.40% - 36.00%	
Staff loans	2.00% - 12.00%		2.00% - 12.00%	

9. Other assets

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest receivable	5,739,591	1,436,694	5,159,459	1,291,479
Prepayments	2,426,326	607,341	1,906,474	477,215
Others	168,194	42,100	230,978	57,817
	<u>8,334,111</u>	<u>2,086,135</u>	<u>7,296,911</u>	<u>1,826,511</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

10. Property and equipment

2013	Leasehold improvement KHR'000	Motor vehicles KHR'000	Motorcycles KHR'000	Computer and office equipment KHR'000	Construction in progress KHR'000	Total KHR'000	US\$
Cost							
At 1 January 2013	-	2,596,647	4,759,955	4,216,264	-	11,572,866	2,896,837
Additions	401,782	-	1,119,251	2,347,227	1,036,514	4,904,774	1,227,728
Transfers/reclassifications	937,577	(65,432)	65,432	-	(937,577)	-	-
Disposals	-	-	-	(16,757)	-	(16,757)	(4,194)
At 31 December 2013	1,339,359	2,531,215	5,944,638	6,546,734	98,937	16,460,883	4,120,371
Less: Accumulated depreciation							
At 1 January 2013	-	1,238,176	2,679,736	2,784,331	-	6,702,243	1,677,657
Depreciation for the year	42,432	146,798	593,516	847,123	-	1,629,869	407,977
Reclassifications	-	(2,300)	2,300	-	-	-	-
Disposals	-	-	-	(14,548)	-	(14,548)	(3,641)
At 31 December 2013	42,432	1,382,674	3,275,552	3,616,906	-	8,317,564	2,081,993
Carrying amounts							
At 31 December 2013	1,296,927	1,148,541	2,669,086	2,929,828	98,937	8,143,319	2,038,378

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

10. Property and equipment (continued)

2012	Motor Vehicles KHR'000	Motorcycles KHR'000	Computer and office equipment KHR'000	Total KHR'000	Total US\$ (Note 4)
Cost					
At 1 January 2012	2,196,192	4,076,322	3,638,107	9,910,621	2,480,756
Additions	400,455	903,664	662,496	1,966,615	492,269
Disposals	-	(220,031)	(84,339)	(304,370)	(76,188)
At 31 December 2012	<u>2,596,647</u>	<u>4,759,955</u>	<u>4,216,264</u>	<u>11,572,866</u>	<u>2,896,837</u>
Less: Accumulated depreciation					
At 1 January 2012	1,180,203	2,284,738	2,094,735	5,559,676	1,391,658
Depreciation for the year	117,855	510,543	770,512	1,398,910	350,165
Disposals	(59,882)	(115,545)	(80,916)	(256,343)	(64,166)
At 31 December 2012	<u>1,238,176</u>	<u>2,679,736</u>	<u>2,784,331</u>	<u>6,702,243</u>	<u>1,677,657</u>
Carrying amounts					
At 31 December 2012	<u>1,358,471</u>	<u>2,080,219</u>	<u>1,431,933</u>	<u>4,870,623</u>	<u>1,219,180</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

11. Intangible assets

	Computer Software			
	2013 KHR'000	US\$ (Note 4)	2012 KHR'000	US\$ (Note 4)
Cost				
At 1 January	4,040,853	1,011,478	3,081,079	771,234
Additions	703,058	175,984	959,774	240,244
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	4,743,911	1,187,462	4,040,853	1,011,478
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Accumulated amortisation				
At 1 January	1,886,599	472,240	1,224,503	306,509
Amortisation for the year	737,647	184,643	662,096	165,731
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	2,624,246	656,883	1,886,599	472,240
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amounts				
At 31 December	2,119,665	530,579	2,154,254	539,238
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. Income tax

(a) Deferred tax, net

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

	2013 KHR'000	US\$ (Note 4)	2012 KHR'000	US\$ (Note 4)
Deferred tax assets	2,082,908	521,378	1,442,445	361,063
Deferred tax liabilities	(590,326)	(147,765)	(473,213)	(118,452)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,492,582	373,613	969,232	242,611
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

12. Income tax (continued)

(a) Deferred tax, net (continued)

The movement of net deferred tax assets is as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning of year	969,232	242,611	793,469	198,615
Credited to income statement	523,350	131,002	175,763	43,996
At end of year	<u>1,492,582</u>	<u>373,613</u>	<u>969,232</u>	<u>242,611</u>

Deferred tax assets/(liabilities) are attributable to the following:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Provision for retirement benefits	908,920	227,514	628,047	157,208
General allowance	622,248	155,757	490,326	122,735
Khmer New Year and Pchum Ben bonuses	275,392	68,934	220,998	55,319
Unrealised exchange losses	228,408	57,173	44,744	11,200
Management incentives	47,940	12,000	58,330	14,601
Depreciation and amortisation	(590,326)	(147,765)	(473,213)	(118,452)
	<u>1,492,582</u>	<u>373,613</u>	<u>969,232</u>	<u>242,611</u>

(b) Provision for income tax

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	2,386,208	597,299	1,856,417	464,685
Current income tax expense	3,579,331	895,953	2,924,552	732,053
Income tax paid	(3,293,667)	(824,448)	(2,394,761)	(599,439)
At 31 December	<u>2,671,872</u>	<u>668,804</u>	<u>2,386,208</u>	<u>597,299</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

12. Income tax (continued)

(b) Provision for income tax (continued)

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.

(c) Income tax expense

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current income tax	3,579,331	895,953	2,924,552	732,053
Deferred tax	(523,350)	(131,002)	(175,763)	(43,996)
	<u>3,055,981</u>	<u>764,951</u>	<u>2,748,789</u>	<u>688,057</u>

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

	2013			2012		
	US\$	KHR'000 (Note 4)	%	US\$	KHR'000 (Note 4)	%
Profit before income tax	<u>16,275,893</u>	<u>4,074,066</u>		<u>14,282,347</u>	<u>3,575,058</u>	
Income tax using statutory rate at 20%	3,255,179	814,813	20.00	2,856,469	715,011	20
Non-deductible expenses	63,061	15,784	0.39	176,347	44,142	1
Others	(256,225)	(64,136)	(1.57)	-	-	-
Over provision in prior year	<u>(6,034)</u>	<u>(1,510)</u>	<u>(0.04)</u>	<u>(284,027)</u>	<u>(71,096)</u>	<u>(2)</u>
Income tax expense	<u>3,055,981</u>	<u>764,951</u>	<u>18.78</u>	<u>2,748,789</u>	<u>688,057</u>	<u>19</u>

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

13. Deposits from customers

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Term Deposit	54,502,908	13,642,780	25,796,721	6,457,252
Savings accounts	19,988,972	5,003,497	8,546,355	2,139,263
Mobile saving accounts	264,018	66,088	73,458	18,387
	<u>74,755,898</u>	<u>18,712,365</u>	<u>34,416,534</u>	<u>8,614,902</u>

Deposits from customers are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Less than 1 month	26,804,889	6,709,609	10,292,070	2,576,238
1 to 3 months	13,077,890	3,273,564	6,646,193	1,663,628
3 to 12 months	21,438,845	5,366,419	14,056,487	3,518,519
More than 12 months	13,434,274	3,362,773	3,421,784	856,517
	<u>74,755,898</u>	<u>18,712,365</u>	<u>34,416,534</u>	<u>8,614,902</u>
(b) By currency:				
US Dollars	27,629,721	6,916,075	18,175,371	4,549,530
Khmer Riel	45,558,463	11,403,871	15,955,368	3,993,834
Thai Baht	1,567,714	392,419	285,795	71,538
	<u>74,755,898</u>	<u>18,712,365</u>	<u>34,416,534</u>	<u>8,614,902</u>
(c) By relationship:				

Analysis of deposits from customers by relationship is disclosed in Note 29(a).

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

13. Deposits from customers (continued)

Deposits from customers are analysed as follows (continued):

(d) Interest rate by product (per annum)

	2013	2012
Term Deposit	4.25% - 12%	4.25% - 12.00%
Saving accounts	3.00% - 5.75%	4.00% - 5.00%
Mobile saving	3.00% - 5.50%	4.00% - 5.00%

14. Other liabilities

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Accrued interest payable	7,521,572	1,882,746	6,243,457	1,562,818
Accrued loss on forward exchange rate	1,128,572	282,496	1,201,685	300,797
Staff bonus payable	1,376,609	344,583	1,104,989	276,593
Staff incentive	676,275	169,280	669,214	167,513
Other tax payables	540,100	135,194	369,241	92,426
Other accruals and payables	1,210,213	302,932	1,118,559	279,990
	<u>12,453,341</u>	<u>3,117,231</u>	<u>10,707,145</u>	<u>2,680,137</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

15. Borrowings

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Non-related parties:				
Foreign Trade Bank of Cambodia (*)	30,050,000	7,521,902	42,400,000	10,613,267
Instituto de Credito Oficial of the Kingdom of Spain ("ICO")	74,965,236	18,764,765	74,965,236	18,764,765
Hivos-Triodos Fonds	18,000,000	4,505,632	18,000,000	4,505,632
Oikocredit	22,880,000	5,727,159	20,330,000	5,088,861
ResponsAbility	18,899,420	4,730,768	11,375,052	2,847,322
DWM Asset Management	8,128,000	2,034,543	8,128,000	2,034,543
BlueOrchard	11,917,350	2,983,066	7,990,000	2,000,000
Symbiotics SA Information	1,997,500	500,000	6,089,275	1,524,224
MARUHAN Japan Bank Plc	2,397,000	600,000	3,196,444	800,111
Grameen Credit Agricole Microfinance Foundation	3,000,000	750,939	5,000,000	1,251,564
Oxfam Novib	4,423,194	1,107,182	4,423,194	1,107,183
Rural Impulse Fund	3,990,376	998,844	4,267,259	1,068,150
VDK-Spaarbank n.v	3,995,000	1,000,000	3,995,000	1,000,000
Micro Credit Enterprise	1,997,500	500,000	3,995,000	1,000,000
Microvest GMG Local Credit Master Fund, Ltd	6,125,000	1,533,166	-	-
Global Commercial Microfinance Consortium II B.V	15,980,000	4,000,000	-	-
Clann Credo	-	-	761,004	190,489
	<u>228,745,576</u>	<u>57,257,966</u>	<u>214,915,464</u>	<u>53,796,111</u>
Related parties:				
Agora Microfinance N.V	-	-	1,405,345	351,776
	<u>228,745,576</u>	<u>57,257,966</u>	<u>216,320,809</u>	<u>54,147,887</u>

(*) Borrowings from Foreign Trade Bank of Cambodia ("FTB") consist of KHR28 billion (Note 7) in back-to-back loans entered into in order to hedge currency exposure. The remaining amount is debt secured by a letter of credit from Deutsche Bank Trust Company Americas.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

15. Borrowings (continued)

Borrowings are unsecured (except borrowings from FTB) and are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By currency:				
US Dollars	109,322,236	27,364,765	88,910,184	22,255,365
Khmer Riel	102,461,194	25,647,358	115,764,539	28,977,357
Thai Baht	16,962,146	4,245,843	11,646,086	2,915,165
	<u>228,745,576</u>	<u>57,257,966</u>	<u>216,320,809</u>	<u>54,147,887</u>
(b) By maturity:				
Less than 1 month	2,719,750	680,788	10,106,802	2,529,863
1 to 3 months	19,586,750	4,902,816	24,168,880	6,049,783
3 to 12 months	66,223,630	16,576,628	34,124,937	8,541,912
1 to 5 years	76,844,896	19,235,268	80,045,433	20,036,404
Over 5 years	63,370,550	15,862,466	67,874,757	16,989,925
	<u>228,745,576</u>	<u>57,257,966</u>	<u>216,320,809</u>	<u>54,147,887</u>
(c) By interest rate (per annum, including withholding tax):				
	2013		2012	
Khmer Riel	10.00% - 14.53%		10.00% - 14.53%	
US Dollars	6.40% - 8.72%		6.40% - 9.07%	
Thai Baht	11.05% - 11.40%		10.47% - 11.63%	

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

16. Provision for staff pension funds

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	4,143,372	1,037,140	3,011,281	753,763
Addition:				
Employer contributions at 6%	1,170,215	292,920	907,173	227,077
Employee contributions at 3%	585,108	146,460	453,584	113,538
Interest earned	292,933	73,325	225,390	56,418
Payments made during the year	(428,612)	(107,287)	(385,006)	(96,372)
Reversal	(56,861)	(14,233)	(33,298)	(8,335)
Currency translation	(3,237)	(811)	(35,752)	(8,949)
At 31 December	<u>5,702,918</u>	<u>1,427,514</u>	<u>4,143,372</u>	<u>1,037,140</u>

17. Share capital and advance capital contribution

The Company's registered and fully paid up share capital is 1,395,253 shares (2012: 1,383,168 shares) at KHR25,000 per share. The details of shareholding are as follows:

	2013			2012		
	KHR'000	US\$ (Note 4)	%	KHR'000	US\$ (Note 4)	%
Concern Worldwide (Dublin)	18,540,700	4,640,976	53.15	34,066,750	8,527,347	98.52
Rural Impulse Fund II	8,644,800	2,163,905	24.78	-	-	-
Agora Microfinance N.V	6,881,250	1,722,466	19.73	-	-	-
AMK – SA	812,075	203,273	2.33	509,950	127,648	1.47
Concern Worldwide (UK)	2,500	625	0.01	2,500	625	0.01
	<u>34,881,325</u>	<u>8,731,245</u>	<u>100</u>	<u>34,579,200</u>	<u>8,655,620</u>	<u>100</u>

In 2012, the Company issued additional share capital to AMK-SA of 12,085 shares for KHR270,647 thousand with a premium of KHR31,478 thousand. In addition, one of the existing shareholders, Concern Worldwide (Dublin) resolved to sell a portion of its shareholding to Rural Impulse Fund II of 345,792 shares for KHR8,644,800 thousand and Agora Microfinance N.V. 275,250 shares for KHR6,881,250 thousand. These transactions were approved by the National Bank of Cambodia and the Ministry of Commerce on 28 January 2013 and 22 July 2013 respectively.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

17. Share capital and advance capital contribution (continued)

On 20 October 2013, the Board of Directors of the Company approved to issue additional share capital to AMK-SA of 9,839 shares for KHR245,976 thousand with a premium of KHR22,520 thousand. This increase was approved by the National Bank of Cambodia on 7 March 2014 and is in the process of updating the Memorandum and Articles of Incorporation with the Ministry of Commerce. Accordingly, the amount was recorded as advance capital contribution in the shareholders' equity.

On 24 March 2014, Concern Worldwide (Dublin) and Concern Worldwide (UK) entered into the Sale and Purchase Agreements (SPA) with PROPARCO, CLDF and Agora Microfinance N.V to sell all of their shareholding. The acquisition is subject to approval by the NBC. Under the SPAs, Concern Worldwide (Dublin) agreed to sell 210,000 shares, 94,200 shares and 437,428 shares to PROPARCO, CLDF and Agora Microfinance N.V respectively and Concern Worldwide (UK) agreed to sell 100 shares to Agora Microfinance N.V.

After the above transactions (subject to approval by the NBC), the new shareholding structure will be as follows:

	Current Shareholdings	Number of shares transferred/issued	Revised shareholding	
			No. of shares	%
Concern Worldwide (Dublin)	741,628	(741,628)	-	-
Rural Impulse Fund II	345,792	-	345,792	24.610
Agora Microfinance N.V	275,250	437,528	712,778	50.728
AMK – SA	32,483	9,839	42,322	3.012
Concern Worldwide (UK)	100	(100)	-	-
PROPARCO	-	210,000	210,000	14.946
CLDF	-	94,200	94,200	6.704
	<u>1,395,253</u>	<u>9,839</u>	<u>1,405,092</u>	<u>100.00</u>

18. Reserves

Under the loan agreement with ICO, the Company is required to transfer a reserve amount of 3.5% of the loan outstanding with ICO from net profit each year into a capital strengthening reserve account. ICO has no entitlement to this reserve.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

19. Interest income

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers	96,017,344	24,034,379	77,839,975	19,484,349
Placements with banks	1,760,116	440,580	2,223,187	556,493
	<u>97,777,460</u>	<u>24,474,959</u>	<u>80,063,162</u>	<u>20,040,842</u>

20. Interest expense

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Borrowings	21,516,727	5,385,914	20,263,345	5,072,176
Deposits from customers	4,463,817	1,117,351	1,846,692	462,251
	<u>25,980,544</u>	<u>6,503,265</u>	<u>22,110,037</u>	<u>5,534,427</u>

21. Fee and commission expenses

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Fees on borrowings and swap	3,339,380	835,890	1,613,258	403,819
Village bank president and mobile banking agents incentive	3,771,448	944,042	3,185,957	797,486
	<u>7,110,828</u>	<u>1,779,932</u>	<u>4,799,215</u>	<u>1,201,305</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

22. Other income

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loan fees	2,072,461	518,764	1,523,105	381,253
Remittance fees	804,916	201,481	399,984	100,121
Bad debts recovered	62,377	15,614	117,961	29,527
(Loss)/gains on disposals of property and equipment	(180)	(44)	79,456	19,889
Other income	142,979	35,788	152,084	38,069
	<u>3,082,553</u>	<u>771,603</u>	<u>2,272,590</u>	<u>568,859</u>

23. Other operating expenses

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Staff costs	29,736,146	7,443,341	23,976,158	6,001,542
Transportation costs	3,302,934	826,767	2,756,290	689,935
Office supplies and equipment	3,365,280	842,373	2,995,319	749,767
Depreciation and amortisation	2,367,516	592,620	2,061,006	515,896
Office rentals	2,633,840	659,284	1,843,422	461,432
Professional services	3,512,080	879,119	2,303,355	576,560
Communications	775,437	194,102	613,062	153,457
Utilities	863,880	216,240	587,852	147,147
Other expenses	2,080,664	520,817	1,775,946	444,542
	<u>48,637,777</u>	<u>12,174,663</u>	<u>38,912,410</u>	<u>9,740,278</u>
Losses on foreign exchange, net (*)	853,552	213,655	1,425,406	356,797
	<u>49,491,329</u>	<u>12,388,318</u>	<u>40,337,816</u>	<u>10,097,075</u>

* This includes losses on foreign exchange amounting to KHR887 million (2012: KHR 1,400 million) incurred on the recognition of forward exchange contracts in accordance with NBC's Circular No. 07-012-001 dated 19 January 2012 on "Accounting for Currency Swap or Forward Contract".

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

24. Grant income

Grant income in 2012 represents the remaining grant received from the International Labour Office (“ILO”) for the data collection on work and/or services in connection with the microfinance for decent work action research performed by AMK in the head office and two other provinces of Kampong Cham and Kampong Thom in 2011.

25. Cash flows from operating activities

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	16,275,893	4,074,066	14,282,347	3,575,058
Adjustments for:				
Depreciation and amortisation	2,367,516	592,620	2,061,006	515,896
Gain on disposals of property and equipment	180	44	(79,456)	(19,889)
Allowance for bad and doubtful loans	2,001,419	500,981	812,344	203,340
Unrealised exchange gains	(755,662)	(189,151)	(583,505)	(146,059)
	<u>19,889,346</u>	<u>4,978,560</u>	<u>16,492,736</u>	<u>4,128,346</u>
Changes in:				
Statutory deposits	(2,929,713)	(733,345)	(1,495,995)	(374,467)
Deposits and placement with other banks	10,227,200	2,560,000	8,502,575	2,128,304
Loans to customers	(69,115,559)	(17,300,515)	(57,003,338)	(14,268,671)
Other assets	(1,037,200)	(259,625)	(630,171)	(157,740)
Deposits from customers	40,339,364	10,097,463	15,882,432	3,975,577
Other liabilities	1,746,196	437,094	2,592,905	649,037
Provident fund obligations	1,559,546	390,374	1,132,091	283,377
	<u>679,180</u>	<u>170,006</u>	<u>(14,526,765)</u>	<u>(3,636,237)</u>
Cash generated/(used) in operations				
Income tax paid	(3,293,667)	(824,448)	(2,394,761)	(599,439)
	<u>(2,614,487)</u>	<u>(654,442)</u>	<u>(16,921,526)</u>	<u>(4,235,676)</u>
Net cash used in operating activities				

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

26. Cash and cash equivalents

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash on hand	13,051,323	3,266,914	8,194,253	2,051,127
Deposits with NBC	5,620,432	1,406,866	454,224	113,698
Deposits and placements with other banks	16,067,749	4,021,965	20,862,392	5,222,126
Bank overdraft	-	-	(444)	(111)
	<u>34,739,504</u>	<u>8,695,745</u>	<u>29,510,425</u>	<u>7,386,840</u>

27. Financial risk management

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

(a) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific allowance 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 Company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

(i) Credit risk measurement

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies

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 also accepts personal guarantee for the village bank loans. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

(iii) 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. Refer to Note 3(f) for detail.

(iv) Exposure to credit risk

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers neither past due nor impaired	316,219,273	79,153,760	247,992,273	62,075,663
Loans to customers past due but not impaired	122,107	30,565	612,530	153,324
Loans to customers individually impaired	497,312	124,484	292,323	73,173
	<u>316,838,692</u>	<u>79,308,809</u>	<u>248,897,126</u>	<u>62,302,160</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Exposure to credit risk (continued)

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 loans to customers with payment overdue more than 30 days. A minimum level of specific allowance 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 Note 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.

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

(c) Market risk

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

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ and THB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by National Bank of Cambodia.

Concentration of currency risk

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

As at 31 December 2013	KHR	KHR'000 equivalent US\$	THB	Total KHR'000
On-balance sheet financial assets and liabilities				
<i>Financial assets</i>				
Cash on hand	7,536,863	5,084,452	430,008	13,051,323
Deposits with National Bank of Cambodia	14,199,697	588,368	-	14,788,065
Deposits and placements with other banks	10,308,789	32,124,387	2,158,873	44,592,049
Loans to customers	264,882,488	31,396,727	17,114,741	313,393,956
Other assets	2,341,864	3,251,367	314,554	5,907,785
	<u>299,269,701</u>	<u>72,445,301</u>	<u>20,018,176</u>	<u>391,733,178</u>
<i>Financial liabilities</i>				
Deposits from customers	45,558,463	27,629,721	1,567,714	74,755,898
Other liabilities	6,761,300	4,873,521	278,420	11,913,241
Borrowings	102,461,194	109,322,236	16,962,146	228,745,576
	<u>154,780,957</u>	<u>141,825,478</u>	<u>18,808,280</u>	<u>315,414,715</u>
<i>Net financial asset/(liabilities)</i>	<u>144,488,744</u>	<u>(69,380,177)</u>	<u>1,209,896</u>	<u>76,318,463</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

As at 31 December 2013	KHR	KHR'000 equivalent US\$	THB	Total KHR'000
<i>Net financial asset/(liabilities)</i>	144,488,744	(69,380,177)	1,209,896	76,318,463
Off-balance sheet items				
Foreign exchange swap	(42,746,500)	42,746,500	-	-
Foreign exchange forward contracts	(27,965,000)	27,965,000	-	-
	(70,711,500)	70,711,500	-	-
Net open position	73,777,244	1,331,323	1,209,896	76,318,463

As at 31 December 2012	KHR	KHR'000 equivalent US\$	THB	Total KHR'000
On-balance sheet financial assets and liabilities				
Financial assets	248,698,466	64,457,126	13,014,950	326,170,542
Financial liabilities	137,776,272	111,032,518	12,266,457	261,075,247
Net financial asset/(liabilities)	110,922,194	(46,575,392)	748,493	65,095,295
Off balance sheet items				
Foreign exchange swap	(35,955,000)	35,955,000	-	-
Foreign exchange forward contracts	(11,985,000)	11,985,000	-	-
	(47,940,000)	47,940,000	-	-
Net open position	62,982,194	1,364,608	748,493	65,095,295

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk

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

Since the majority of financial assets are short-term and the interest rates are subject to change with the market rates, the company does not use derivative financial instruments to hedge such risk.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 2013	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 %
Financial assets								
Cash on hand	-	-	-	-	-	13,051,323	13,051,323	
Deposit with National Bank of Cambodia	-	-	3,488,133	-	-	11,299,932	14,788,065	3
Deposits and placements with banks	14,516,134	-	27,965,000	559,300	-	1,551,615	44,592,049	4
Loans to customers	24,904,416	89,468,881	161,250,795	36,583,890	1,185,974	-	313,393,956	28
Other assets	-	-	-	-	-	5,907,785	5,907,785	
	<u>39,420,550</u>	<u>89,468,881</u>	<u>192,703,928</u>	<u>37,143,190</u>	<u>1,185,974</u>	<u>31,810,655</u>	<u>391,733,178</u>	
Financial liabilities								
Deposits from customers	26,804,889	13,077,890	21,438,845	13,434,274	-	-	74,755,898	7.5
Borrowings	2,719,750	19,586,750	66,223,630	76,844,896	63,370,550	-	228,745,576	9.75
Other liabilities	-	-	-	-	-	11,913,241	11,913,241	
	<u>29,524,639</u>	<u>32,664,640</u>	<u>87,662,475</u>	<u>90,279,170</u>	<u>63,370,550</u>	<u>11,913,241</u>	<u>315,414,715</u>	
Maturity gap	<u>9,895,911</u>	<u>56,804,241</u>	<u>105,041,453</u>	<u>(53,135,980)</u>	<u>(62,184,576)</u>	<u>19,897,414</u>	<u>76,318,463</u>	

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 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 %
Financial assets								
Cash on hand	-	-	-	-	-	8,194,253	8,194,253	-
Deposit with National Bank of Cambodia	-	-	3,457,920	-	-	3,234,224	6,692,144	3.00
Deposits and placements with banks	19,967,753	-	38,751,500	-	-	894,639	59,613,892	3.37
Loans to customers	15,878,100	40,592,329	155,746,166	33,418,352	644,869	-	246,279,816	34.40
Other assets	-	-	-	-	-	5,390,437	5,390,437	-
	<u>35,845,853</u>	<u>40,592,329</u>	<u>197,955,586</u>	<u>33,418,352</u>	<u>644,869</u>	<u>17,713,553</u>	<u>326,170,542</u>	
Financial liabilities								
Deposits from customers	10,292,070	6,646,193	14,056,487	3,421,784	-	-	34,416,534	7.06
Borrowings	10,106,802	24,168,880	34,124,937	80,045,433	67,874,757	-	216,320,809	9.72
Other liabilities	-	-	-	-	-	10,337,904	10,337,904	-
	<u>20,398,872</u>	<u>30,815,073</u>	<u>48,181,424</u>	<u>83,467,217</u>	<u>67,874,757</u>	<u>10,337,904</u>	<u>261,075,247</u>	
Maturity gap	<u>15,446,981</u>	<u>9,777,256</u>	<u>149,774,162</u>	<u>(50,048,865)</u>	<u>(67,229,888)</u>	<u>7,375,649</u>	<u>65,095,295</u>	

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(d) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including estimated interest payments.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(d) Liquidity risk (continued)

As at 31 December 2013	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	Total KHR'000
Deposits from customers	26,804,889	13,077,890	21,438,845	13,434,274	-	74,755,898
Borrowings	2,719,750	19,586,750	66,223,630	76,844,896	63,370,550	228,745,576
Other liabilities	3,048,024	7,657,748	1,207,469	-	-	11,913,241
	<u>32,572,663</u>	<u>40,322,388</u>	<u>88,869,944</u>	<u>90,279,170</u>	<u>63,370,550</u>	<u>315,414,715</u>
As at 31 December 2012						
Deposits from customers	10,588,620	6,968,851	14,115,013	3,539,411	-	35,211,895
Borrowings	12,662,052	24,277,332	35,187,078	80,045,433	67,874,757	220,046,652
Other liabilities	10,337,904	-	-	-	-	10,337,904
	<u>33,588,576</u>	<u>31,246,183</u>	<u>49,302,091</u>	<u>83,584,844</u>	<u>67,874,757</u>	<u>265,596,451</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

27. Financial risk management (continued)

(e) Capital management

(i) Regulatory capital

The Company's lead regulator, the National Bank of Cambodia ("NBC"), 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.

The table below summaries the composition of regulatory capital:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Tier 1 Capital				
Share capital	34,881,325	8,731,245	34,579,200	8,655,620
Share premium	126,984	31,786	95,506	23,906
Advance capital contribution	268,496	67,208	333,603	83,505
Reserves	8,551,904	2,140,652	5,928,121	1,483,885
Retained earnings	37,756,756	9,451,003	27,160,627	6,798,655
	<u>81,585,465</u>	<u>20,421,894</u>	<u>68,097,057</u>	<u>17,045,571</u>
Less: loan to related parties	<u>(1,024,059)</u>	<u>(256,335)</u>	<u>(497,779)</u>	<u>(124,601)</u>
Total regulatory capital	<u>80,561,406</u>	<u>20,165,559</u>	<u>67,599,278</u>	<u>16,920,970</u>

(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.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

28. Commitments and contingencies

(a) Lease commitments

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

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Within one year	1,913,729	479,031	139,287	34,865
Two to five years	4,168,425	1,043,411	64,807	16,222
Over five years	4,234,476	1,059,944	-	-
	<u>10,316,630</u>	<u>2,582,386</u>	<u>204,094</u>	<u>51,087</u>

(b) Loan and others commitment

In the normal course of business, the Company makes commitments and incurs certain contingent liabilities with legal recourse. No material losses are anticipated from these transactions, which consist of:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Foreign exchange swap contracts	42,746,500	10,700,000	35,955,000	9,000,000
Foreign exchange forward contracts	27,965,000	7,000,000	11,985,000	3,000,000
Unused portion of credit line	20,701,745	5,181,914	15,307,669	3,831,707
	<u>91,413,245</u>	<u>22,881,914</u>	<u>63,247,669</u>	<u>15,831,707</u>

In order to limit its exposure to foreign exchange risk, as at 31 December 2013, the Company has entered into 12 foreign exchange swap contracts (2012: 8 contracts) with ANZ Royal Bank and Foreign Trade Bank and 2 foreign exchange forward contracts (2012: 1 contract) with The Currency Exchange Fund (TCX) to manage its exposure.

(c) Taxation contingencies

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

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Notes to the financial statements (continued) for the year ended 31 December 2013

29. Related parties balances and transactions

(a) Related-party balances

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to key management personnel	1,024,059	256,335	497,779	124,601
Deposits from directors and key management personnel	1,462,287	366,029	481,641	120,561

(b) Related party transactions

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income from loans to key management personnel	76,234	19,082	47,862	11,980
Board of Director expenses	269,005	67,335	127,623	31,946
Key management remuneration and other short- term benefits	1,414,406	354,044	1,102,842	276,055
Consultation fees	35,156	8,800	151,754	37,986

30. Fair values of financial assets and liabilities

The Company did not have financial instruments measured at fair value.

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.