

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

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

Corporate Information

Company	Angkor Mikroheranhvatho (Kampuchea) Co., Ltd
Registration No	Co. 1698/03E
Registered office	No. 442, Street 193, Sangkat Toul Svay Prey I, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia
Shareholders	Concern Worldwide (Dublin) AMK – SA Concern Worldwide (UK)
Board of Directors	Mr. Tanmay Chetan, Chairman Mr. Peter Power, Director Mr. Howard Dalzell, Director Mr. Tip Janvibol, Director Ms. Rebecca McKenzie, Director Mr. Marcus Fedder, Director Ms. Irina Ignatieva, Director Mr. Adrian Graham, Director Mr. Kea Borann, Director (Ex-Officio, appointed in July 2012) Mr. Tom O’Higgins, Director (Appointed in July 2012) Ms. Frances Sinha, Director (Retired in July 2012)
Senior management team	Mr. Peter Power, Chief Executive Officer (Resigned on 13 July 2012) Mr. Kea Borann, Chief Executive Officer (Appointed on 14 July 2012) Mr. Mam Choern, Chief Operations Officer Mr. Chheang Taing, Chief Financial Officer Mr. Huot Sokha, Chief Business Officer
Auditor	KPMG Cambodia Ltd

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Contents

	Page
1. Report of the Board of Directors	1
2. Report of the independent auditors	6
3. Balance sheet	8
4. Income statement	9
5. Statement of changes in equity	10
6. Statement of cash flows	11
7. Notes to the financial statements	12



អង្គរ មីក្រូហិរញ្ញវត្ថុ (កម្ពុជា)

អាគារលេខ៤៤២ ផ្លូវ១៩៣ សង្កាត់ទួលស្វាយ ព្រៃ១ ខណ្ឌចំការមន រាជធានីភ្នំពេញ
ប្រអប់សំបុត្រ ៤៨០ • ទូរស័ព្ទលេខ: (៨៥៥) ២៣ ៩៩៣ ០៦២ • ទូរសារលេខ: (៨៥៥) ២៣ ២២១ ៦៥០
Angkor Mikroheranhvatho (Kampuchea) Co., Ltd
No.442, St.193, Sk.Tuolsvayprey1, Kh.Chamkarmorn, Phnom Penh, Cambodia
P.O Box 480 • Tel: (855) 23 993 062 • Fax: (855) 23 221 650
www.amkcambodia.com • [email: info@amkcambodia.com](mailto:info@amkcambodia.com)

Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (“the Company” or “AMK”) for the year ended 31 December 2012.

Principal activity

The principal activity of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd is to provide micro-finance services to the poor population of Cambodia through its head office in Phnom Penh and its various branch offices in Phnom Penh and provinces in the Kingdom of Cambodia.

Financial results

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

	KHR'000
Profit before income tax	14,282,347
Income tax expense	(2,748,789)
Net profit for the year	<u>11,533,558</u>

Share capital

During the year the Company issued share capital to AMK – SA of 12,085 shares for KHR302,125 thousand with a premium of KHR31,478 thousand. The National Bank of Cambodia approved the increase in January 2013.

On 3 December 2012, one of the existing shareholders, Concern Worldwide (Dublin) resolved to sell a portion of its shareholding to Rural Impulse Fund II (RIF II) and Agora Microfinance N.V. Refer to Note 17 to the financial statements for details.

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.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Report of the Board of Directors (continued)

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.

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.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Report of the Board of Directors (continued)

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.

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. Peter Power, Director
- Mr. Howard Dalzell, Director
- Mr. Tip Janvibol, Director
- Ms. Rebecca McKenzie, Director
- Mr. Marcus Fedder, Director
- Ms. Irina Ignatieva, Director
- Mr. Adrian Graham, Director
- Mr. Kea Borann, Director (Ex-Officio, appointed in July 2012)
- Mr. Tom O'Higgins, Director (Appointed in July 2012)
- Ms. Frances Sinha, Director (Retired in July 2012)

Directors' interests

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Report of the Board of Directors (continued)

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 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 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.

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)

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: 29 MAR 2013



KPMG Cambodia Ltd
4th floor, Delano Center
No. 144, Street 169
Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia

Telephone +855 (23) 216 899
Fax +855 (23) 217 279
Internet www.kpmg.com.kh

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 2012, 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 52.

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 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.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2011 were audited by another auditor who expressed an unqualified opinion on those statements on 21 March 2012.

For KPMG Cambodia Ltd



Craig McDonald
Audit Partner

Phnom Penh, Kingdom of Cambodia

29 March 2013

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Balance sheet

As at 31 December 2012

	Note	2012		2011	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
ASSETS					
Cash on hand	5	8,194,253	2,051,127	1,520,404	376,431
Deposits with National Bank of Cambodia	6	6,692,144	1,675,130	4,855,343	1,202,115
Deposits and placements with other banks	7	59,613,892	14,922,126	66,125,545	16,371,762
Loans to customers	8	246,279,816	61,647,013	190,088,822	47,063,338
Other assets	9	7,296,911	1,826,511	6,666,740	1,650,592
Property and equipment	10	4,870,623	1,219,180	4,350,945	1,077,233
Intangible assets	11	2,154,254	539,238	1,856,576	459,662
Deferred tax assets	12	969,232	242,611	793,469	196,452
TOTAL ASSETS		336,071,125	84,122,936	276,257,844	68,397,585
LIABILITIES AND EQUITY					
Liabilities					
Deposits from customers	13	34,416,534	8,614,902	18,534,102	4,588,785
Provision for income tax	12	2,386,208	597,299	1,856,417	459,623
Other liabilities	14	10,707,145	2,680,137	8,114,240	2,008,973
Borrowings	15	216,320,809	54,147,887	188,511,908	46,672,916
Provision for staff pension funds	16	4,143,372	1,037,140	3,011,281	745,551
Total liabilities		267,974,068	67,077,365	220,027,948	54,475,848
Shareholders' equity					
Share capital	17	34,579,200	8,655,620	34,579,200	8,561,327
Share premium		95,506	23,906	95,506	23,646
Advance capital contribution	17	333,603	83,505	-	-
Reserves	18	5,928,121	1,483,885	3,304,338	818,108
Retained earnings		27,160,627	6,798,655	18,250,852	4,518,656
Total shareholders' equity		68,097,057	17,045,571	56,229,896	13,921,737
TOTAL LIABILITIES AND EQUITY		336,071,125	84,122,936	276,257,844	68,397,585

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

Income statement for the year ended 31 December 2012

	Note	2012		2011	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income	19	80,063,162	20,040,842	56,730,010	14,045,558
Interest expense	20	(22,110,037)	(5,534,427)	(16,386,436)	(4,057,053)
Net interest income		57,953,125	14,506,415	40,343,574	9,988,505
Fee and commission expenses	21	(4,799,215)	(1,201,305)	(3,060,560)	(757,752)
Other income	22	2,272,590	568,859	1,483,046	367,181
Other operating expenses	23	(40,337,816)	(10,097,075)	(28,218,520)	(6,986,511)
Provision for bad and doubtful loans	8	(812,344)	(203,340)	(1,889,013)	(467,693)
Operating income		14,276,340	3,573,554	8,658,527	2,143,730
Grant income	24	6,007	1,504	517,290	128,074
Profit before income tax		14,282,347	3,575,058	9,175,817	2,271,804
Income tax expense	12	(2,748,789)	(688,057)	(1,991,459)	(493,057)
Net profit for the year		11,533,558	2,887,001	7,184,358	1,778,747

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 2012

	Share capital KHR'000	Share premium KHR'000	Advance capital contribution KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Balance as at 1 January 2011	34,069,250	-	-	1,550,618	12,820,214	48,440,082
Shares issued during the year	509,950	95,506	-	-	-	605,456
Transfers to reserves	-	-	-	1,753,720	(1,753,720)	-
Net profit for the year	-	-	-	-	7,184,358	7,184,358
Balance as at 31 December 2011	<u>34,579,200</u>	<u>95,506</u>	<u>-</u>	<u>3,304,338</u>	<u>18,250,852</u>	<u>56,229,896</u>
Advance capital contribution	-	-	333,603	-	-	333,603
Transfers to reserves	-	-	-	2,623,783	(2,623,783)	-
Net profit for the year	-	-	-	-	11,533,558	11,533,558
Balance as at 31 December 2012	<u><u>34,579,200</u></u>	<u><u>95,506</u></u>	<u><u>333,603</u></u>	<u><u>5,928,121</u></u>	<u><u>27,160,627</u></u>	<u><u>68,097,057</u></u>
(US\$ equivalents - Note 4)	<u><u>8,655,620</u></u>	<u><u>23,906</u></u>	<u><u>83,505</u></u>	<u><u>1,483,885</u></u>	<u><u>6,798,655</u></u>	<u><u>17,045,571</u></u>

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 2012

	Note	2012		2011	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash flows from operating activities					
Net cash used in operating activities	25	(16,921,526)	(4,235,676)	(64,690,675)	(16,016,506)
Cash flows from investing activities					
Purchase of property and equipment		(1,966,615)	(492,269)	(1,852,329)	(458,611)
Purchase of intangible assets		(959,774)	(240,244)	(20,879)	(5,169)
Proceeds from disposals of property and equipment		127,483	31,911	50,271	12,446
Net cash used in investing activities		(2,798,906)	(700,602)	(1,822,937)	(451,334)
Cash flows from financing activities					
Proceeds from borrowings		99,077,252	24,800,313	101,239,334	25,065,445
Repayments of borrowings		(70,684,846)	(17,693,328)	(33,944,061)	(8,404,076)
Proceeds from advance capital contribution		333,603	83,505	605,456	149,902
Net cash generated from financing activities		28,726,009	7,190,490	67,900,729	16,811,271
Net increase in cash and cash equivalents		9,005,577	2,254,212	1,387,117	343,431
Cash and cash equivalents at beginning of year		20,504,848	5,132,628	19,117,731	4,733,283
Cash and cash equivalents at end of year	26	29,510,425	7,386,840	20,504,848	5,076,714

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 2012

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 is 98.52% owned by Concern Worldwide (Dublin).

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. Concern Worldwide has divested 44.6% of its shares to Agora Microfinance N.V (19.72%) and Rural Impulse Fund II (24.8%) which got approval from the NBC in Feb 2013. Concern Worldwide is planning to stay as a minority shareholder and will divest further in the future. One of AMK’s current board members will be a shareholder in this proposed vehicle.

AMK provides credit services to poor families through its head office and twenty-four branches located in Banteay Meanchey, Battambang, Khan Dangkor, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Kampot, Kandal, Kratie, Mondulhiri, Muk Kampoul, Otdor Meanchey, Preah Vihear, Prey Veng, Pursat, Ratanakiri, Siem Reap, Sihanoukville, Steung Treng, Svay Rieng, Suong, Kampong Trabek and Takeo. 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 No. 442, Street 193, Sangkat Toul Svay Prey I, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2012, the Company had 1,187 employees (31 December 2011: 963 employees).

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

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 29 March 2013.

(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 2012

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 provisions.

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

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

3. Significant accounting policies (continued)

(f) Provision for bad and doubtful loans

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

Classification	Number of days past due	Provision
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 provision for bad and doubtful loans is set at the rate of 1% of all outstanding performing loans excluding staff loans.

The provision will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The provision 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.

Loans are written off to the income statement when the loans remain unpaid one year after maturity date or when customer dies. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans.

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

(g) Other assets

Other assets are carried at 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 2012

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:

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

(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 2012

3. Significant accounting policies (continued)

(j) Imirment

(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 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 placement value.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

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 2012

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 2012

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 2012 of US\$1: KHR3,995 (31 December 2011 of US\$1: KHR4,039) published by the NBC. These convenience translations are 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

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Head office	27,064	6,774	14,121	3,496
Branches	8,167,189	2,044,353	1,506,283	372,935
	<u>8,194,253</u>	<u>2,051,127</u>	<u>1,520,404</u>	<u>376,431</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

5. Cash on hand (continued)

The above amounts are analysed as follows:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
By currency:				
Khmer Riel	5,609,475	1,404,124	749,630	185,598
US Dollars	2,441,012	611,017	746,658	184,862
Thai Baht	143,766	35,986	24,116	5,971
	<u>8,194,253</u>	<u>2,051,127</u>	<u>1,520,404</u>	<u>376,431</u>

6. Deposits with National Bank of Cambodia

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Statutory deposits:				
Capital guarantee deposit	3,457,920	865,562	3,406,925	843,507
Reserve requirement	2,780,000	695,870	1,335,000	330,527
	<u>6,237,920</u>	<u>1,561,432</u>	<u>4,741,925</u>	<u>1,174,034</u>
Current accounts	454,224	113,698	113,418	28,081
	<u>6,692,144</u>	<u>1,675,130</u>	<u>4,855,343</u>	<u>1,202,115</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 2012

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

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current accounts	894,639	223,940	1,182,982	292,890
Savings accounts	13,970,253	3,496,934	13,647,263	3,378,872
Fixed deposits (*)	44,749,000	11,201,252	51,295,300	12,700,000
	<u>59,613,892</u>	<u>14,922,126</u>	<u>66,125,545</u>	<u>16,371,762</u>

(*) Fixed deposits consist of deposits with Foreign Trade Bank of Cambodia ("FTB") amounting to KHR39 billion to secure back-to-back loans entered into in order to hedge currency exposure. (Note 15)

The above amounts are analysed as follows:

(a)	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
By maturity:				
Within 1 month	20,862,392	5,222,126	14,830,245	3,671,762
2 to 3 months	-	-	8,078,000	2,000,000
More than 3 months	38,751,500	9,700,000	43,217,300	10,700,000
	<u>59,613,892</u>	<u>14,922,126</u>	<u>66,125,545</u>	<u>16,371,762</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

7. Deposits and placements with other banks (continued)

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(b) By currency:				
US Dollars	44,235,837	11,072,800	57,170,281	14,154,564
Khmer Riel	14,873,999	3,723,154	8,585,901	2,125,749
Thai Baht	504,056	126,172	369,363	91,449
	<u>59,613,892</u>	<u>14,922,126</u>	<u>66,125,545</u>	<u>16,371,762</u>
(c) By interest rate (per annum):				
	2012		2011	
Fixed deposits	1.00% - 5.00%		1.65% - 5.00%	
Savings accounts	0.25% - 0.75%		0.25% - 0.75%	

8. Loans to customers

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Village Bank loans:				
End of term	76,381,279	19,119,219	79,086,486	19,580,710
Credit line	78,577,194	19,668,885	49,046,752	12,143,291
Instalment	34,135,174	8,544,474	29,447,568	7,290,807
Individual loans:				
Instalment	22,554,211	5,645,610	20,281,808	5,021,492
End of term	26,518,298	6,637,872	12,407,225	3,071,856
Seasonal credit line	6,996,905	1,751,415	567,255	140,444
Staff loans	3,734,065	934,685	1,921,454	475,725
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>
Provision for bad and doubtful loans				
Specific	(165,679)	(41,472)	(152,167)	(37,674)
General	(2,451,631)	(613,675)	(2,517,559)	(623,313)
	<u>(2,617,310)</u>	<u>(655,147)</u>	<u>(2,669,726)</u>	<u>(660,987)</u>
	<u>246,279,816</u>	<u>61,647,013</u>	<u>190,088,822</u>	<u>47,063,338</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

8. Loans to customers (continued)

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

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning of year	2,669,726	668,267	2,944,403	728,993
Provision for the year	812,344	203,340	1,889,013	467,693
Reversals	(541,091)	(135,442)	-	-
Written off during the year	(323,669)	(81,018)	(2,166,096)	(536,295)
Currency revaluation	-	-	2,406	596
	<u>2,617,310</u>	<u>655,147</u>	<u>2,669,726</u>	<u>660,987</u>

The loans to customers are analysed as follows:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Less than 1 month	16,046,843	4,016,732	6,181,324	1,530,410
1 to 3 months	41,023,720	10,268,766	21,769,875	5,389,917
3 to 12 months	157,401,340	39,399,585	128,360,224	31,780,199
More than 1 year	34,425,223	8,617,077	36,447,125	9,023,799
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>
(b) By currency:				
Khmer Riel	220,199,567	55,118,790	175,327,427	43,408,623
US Dollars	16,383,041	4,100,886	8,341,452	2,065,227
Thai Baht	12,314,518	3,082,484	9,089,669	2,250,475
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

8. Loans to customers (continued)

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(c) By economic sector:				
Agriculture	172,737,916	43,238,527	129,843,937	32,147,546
Trade and commerce	41,467,959	10,379,965	31,328,864	7,756,589
Household/family	15,881,393	3,975,317	17,309,275	4,285,535
Services	10,166,902	2,544,907	11,241,201	2,783,164
Construction	2,882,541	721,537	975,902	241,620
Transportation	868,120	217,302	367,764	91,053
Other categories	4,892,295	1,224,605	1,691,605	418,818
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>
(d) By residency status:				
Residents	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>
(e) By relationship:				
External customers	245,163,061	61,367,475	190,837,094	47,248,600
Staff loans	3,734,065	934,685	1,921,454	475,725
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>
(f) By location:				
Head office	989,569	247,702	191,395	47,387
Branches	247,907,557	62,054,458	192,567,153	47,676,938
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

8. Loans to customers (continued)

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(g) By performance:				
Standard loans:				
Secured	57,802,598	14,468,735	32,746,325	8,107,533
Unsecured	190,802,205	47,760,252	159,825,351	39,570,525
Sub-standard loans:				
Secured	55,513	13,896	11,540	2,857
Unsecured	40,124	10,044	10,863	2,690
Doubtful loans:				
Secured	41,023	10,269	4,015	994
Unsecured	16,842	4,215	16,893	4,182
Loans loss:				
Secured	50,371	12,609	76,955	19,053
Unsecured	88,450	22,140	66,606	16,491
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</u>
(h) By interest rate (per annum):				
		2012		2011
External customers		26.40% - 36.00%		27.60% - 36.00%
Staff loans		2.00% - 12.00%		2.00% - 12.00%

9. Other assets

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest receivable	5,159,459	1,291,479	4,699,426	1,163,512
Prepayments	1,906,474	477,215	1,666,957	412,715
Others	230,978	57,817	300,357	74,365
	<u>7,296,911</u>	<u>1,826,511</u>	<u>6,666,740</u>	<u>1,650,592</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

10. Property and equipment

	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>
At 31 December 2011	<u>1,015,989</u>	<u>1,791,584</u>	<u>1,543,372</u>	<u>4,350,945</u>	<u>1,077,233</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

11. Intangible assets

	Computer Software	
	KHR'000	US\$
Cost		
At 1 January 2012	3,081,079	771,234
Additions	959,774	240,244
	<u>4,040,853</u>	<u>1,011,478</u>
Less: Accumulated amortisation		
At 1 January 2012	1,224,503	306,509
Amortisation for the year	662,096	165,731
	<u>1,886,599</u>	<u>472,240</u>
Carrying amounts		
At 31 December 2012	<u>2,154,254</u>	<u>539,238</u>
At 31 December 2011	<u>1,856,576</u>	<u>459,662</u>

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:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Deferred tax assets	1,442,445	361,063	1,196,016	296,117
Deferred tax liabilities	(473,213)	(118,452)	(402,547)	(99,665)
	<u>969,232</u>	<u>242,611</u>	<u>793,469</u>	<u>196,452</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

12. Income tax (continued)

(a) Deferred tax, net (continued)

The movement of net deferred tax assets is as follows:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning of year	793,469	198,615	242,187	59,962
Credited to income statement	175,763	43,996	551,282	136,490
At end of year	<u>969,232</u>	<u>242,611</u>	<u>793,469</u>	<u>196,452</u>

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

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Provision for retirement benefits	628,047	157,208	500,854	124,004
General provision	490,326	122,735	503,512	124,663
Khmer New Year and Pchum Ben bonuses	220,998	55,319	169,444	41,952
Unrealised exchange losses	44,744	11,200	22,206	5,498
Management incentives	58,330	14,601	-	-
Depreciation and amortisation	(473,213)	(118,452)	(402,547)	(99,665)
At end of year	<u>969,232</u>	<u>242,611</u>	<u>793,469</u>	<u>196,452</u>

(b) Provision for income tax

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning of year	1,856,417	464,685	430,862	106,676
Income tax expense	2,924,552	732,053	2,542,741	629,547
Income tax paid	(2,394,761)	(599,439)	(1,117,186)	(276,600)
At end of the year	<u>2,386,208</u>	<u>597,299</u>	<u>1,856,417</u>	<u>459,623</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

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

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current income tax	2,924,552	732,053	2,542,741	629,547
Deferred tax	(175,763)	(43,996)	(551,282)	(136,490)
	<u>2,748,789</u>	<u>688,057</u>	<u>1,991,459</u>	<u>493,057</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:

	2012			2011		
	US\$	KHR'000 (Note 4)	%	US\$	KHR'000 (Note 4)	%
Profit before income tax	<u>14,282,347</u>	<u>3,575,058</u>		<u>9,175,817</u>	<u>2,271,804</u>	
Income tax using						
statutory rate at 20%	2,856,469	715,011	20	1,835,163	454,361	20
Non-deductible expenses	176,347	44,142	1	156,296	38,696	2
Over provision in prior year	(284,027)	(71,096)	(2)	-	-	-
Income tax expense	<u>2,748,789</u>	<u>688,057</u>	<u>19</u>	<u>1,991,459</u>	<u>493,057</u>	<u>22</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 2012

13. Deposits from customers

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Term deposits	25,796,721	6,457,252	13,315,634	3,296,765
Savings accounts	7,043,465	1,763,070	3,576,959	885,605
Staff savings accounts	1,575,975	394,487	1,639,935	406,025
Loan-linked savings accounts	373	93	1,574	390
	<u>34,416,534</u>	<u>8,614,902</u>	<u>18,534,102</u>	<u>4,588,785</u>

Saving accounts comprise of general savings and easy savings accounts. The general savings are voluntary savings for the Company's borrowers and bear interest at rates of 3% per annum for deposits in Khmer Riel and 1.5% per annum for deposits in US Dollars and Thai Baht. The easy savings are available for the public in multiple currencies. The easy savings bear interest at rates of 5% per annum for deposits in Khmer Riel and 4% per annum for deposits in US Dollars and Thai Baht.

Staff savings bear interest at the rate of 5% per annum.

The above amounts are analysed as follows:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Less than 1 month	10,292,070	2,576,238	7,902,279	1,956,494
1 to 3 months	6,646,193	1,663,628	2,478,480	613,637
3 to 12 months	14,056,487	3,518,519	5,978,452	1,480,181
More than 12 months	3,421,784	856,517	2,174,891	538,473
	<u>34,416,534</u>	<u>8,614,902</u>	<u>18,534,102</u>	<u>4,588,785</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

13. Deposits from customers (continued)

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(b) By currency:				
US Dollars	18,175,371	4,549,530	10,916,601	2,702,798
Khmer Riel	15,955,368	3,993,834	7,407,792	1,834,066
Thai Baht	285,795	71,538	209,709	51,921
	<u>34,416,534</u>	<u>8,614,902</u>	<u>18,534,102</u>	<u>4,588,785</u>

14. Other liabilities

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Accrued interest payable	6,243,457	1,562,818	4,117,195	1,019,360
Accrued loss on forward exchange rate	1,201,685	300,797	-	-
Staff bonus payable	1,104,989	276,593	847,220	209,760
Staff incentive	669,214	167,513	801,008	198,319
Other tax payables	369,241	92,426	250,555	62,034
Other accruals and payables	1,118,559	279,990	2,098,262	519,500
	<u>10,707,145</u>	<u>2,680,137</u>	<u>8,114,240</u>	<u>2,008,973</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

15. Borrowings

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Foreign Trade Bank of Cambodia (*)	42,400,000	10,613,267	53,200,000	13,171,577
ICO (**)	74,965,236	18,764,765	50,106,279	12,405,615
Hivos-Triodos Fonds	18,000,000	4,505,632	18,000,000	4,456,549
Oikocredit	20,330,000	5,088,861	15,060,000	3,728,646
ResponsAbility	11,375,052	2,847,322	4,039,000	1,000,000
DWM Asset Management	8,128,000	2,034,543	-	-
BlueOrchard	7,990,000	2,000,000	2,159,000	534,538
Symbiotics SA Information	6,089,275	1,524,224	5,938,710	1,470,342
Agora Microfinance N.V	1,405,345	351,776	12,154,000	3,009,161
MARUHAN Japan Bank Plc	3,196,444	800,111	8,076,218	1,999,559
Grameen Credit Agricole Microfinance Foundation	5,000,000	1,251,564	-	-
Oxfam Novib	4,423,194	1,107,183	4,423,194	1,095,121
Rural Impulse Fund	4,267,259	1,068,150	4,407,412	1,091,214
VDK-Spaarbank n.v	3,995,000	1,000,000	4,039,000	1,000,000
Micro Credit Enterprise	3,995,000	1,000,000	4,039,000	1,000,000
Clann Credo	761,004	190,489	1,728,288	427,900
KIVA Microfunds	-	-	1,141,807	282,694
	<u>216,320,809</u>	<u>54,147,887</u>	<u>188,511,908</u>	<u>46,672,916</u>

(*) Borrowings from Foreign Trade Bank of Cambodia (“FTB”) consist of KHR39 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.

(**) Instituto de Credito Oficial of the Kingdom of Spain (“ICO”)

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

15. Borrowings (continued)

The above amounts are unsecured (except borrowings from FTB) and are analysed as follows:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By currency:				
US Dollars	88,910,184	22,255,365	77,422,327	19,168,687
Khmer Riel	115,764,539	28,977,357	102,837,194	25,461,053
Thai Baht	11,646,086	2,915,165	8,252,387	2,043,176
	<u>216,320,809</u>	<u>54,147,887</u>	<u>188,511,908</u>	<u>46,672,916</u>
(b) By maturity:				
Less than 1 month	10,106,802	2,529,863	2,360,950	584,538
1 to 3 months	24,168,880	6,049,783	14,999,814	3,713,744
3 to 12 months	34,124,937	8,541,912	29,654,947	7,342,151
1 to 5 years	80,045,433	20,036,404	94,974,206	23,514,287
Over 5 years	67,874,757	16,989,925	46,521,991	11,518,196
	<u>216,320,809</u>	<u>54,147,887</u>	<u>188,511,908</u>	<u>46,672,916</u>
(c) By interest rate (per annum, including withholding tax):				
	2012		2011	
Khmer Riel	10.00% - 14.53%		10.00% - 14.30%	
US Dollars	5.50% - 9.07%		0% - 10.47%	
Thai Baht	10.47% - 11.63%		11.05% - 12.21%	

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

16. Provision for staff pension funds

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning of year	3,011,281	753,763	2,039,305	504,903
Addition:				
Employer contributions at 6%	907,173	227,077	749,642	185,601
Employee contributions at 3%	453,584	113,538	367,618	91,017
Interest earned	225,390	56,418	160,750	39,800
Payments made during the year	(385,006)	(96,372)	(259,372)	(64,217)
Reversal	(33,298)	(8,335)	(40,588)	(10,049)
Currency translation	(35,752)	(8,949)	(6,074)	(1,504)
A end of year	<u>4,143,372</u>	<u>1,037,140</u>	<u>3,011,281</u>	<u>745,551</u>

17. Share capital and advance capital contribution

The Company's registered and fully paid up share capital is 1,383,168 shares (2011: 1,383,168 shares) at KHR25,000 per share. The details of shareholding are as follows:

	2012			2011		
	KHR'000	US\$ (Note 4)	%	KHR'000	US\$ (Note 4)	%
Concern Worldwide (Dublin)	34,066,750	8,527,347	98.52	34,066,750	8,434,452	98.52
AMK – SA	509,950	127,648	1.47	509,950	126,256	1.47
Concern Worldwide (UK)	2,500	625	0.01	2,500	619	0.01
	<u>34,579,200</u>	<u>8,655,620</u>	<u>100</u>	<u>34,579,200</u>	<u>8,561,327</u>	<u>100</u>

During the year the Company issued additional share capital to AMK-SA of 12,085 shares for KHR302,125 thousand with a premium of KHR31,478 thousand. This increase was approved by the National Bank of Cambodia in January 2013 but pending approval from the Ministry of Commerce as at the date of this report. Accordingly, the amount of KHR333,603 thousand was recorded as advance capital contribution.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

17. Share capital and advance capital contribution (continued)

On 3 December 2012, one of the existing shareholders, Concern Worldwide (Dublin) resolved to sell a portion of its shareholding to Rural Impulse Fund II (RIF II) and Agora Microfinance N.V. After this transfer, the new shareholding of the Company is as follows:

	Number of shares	Amount KHR'000	% of shareholding
Concern Worldwide (Dublin)	741,628	18,540,700	53.153
Concern Worldwide (UK)	100	2,500	0.007
AMK – SA	32,483	812,075	2.328
Rural Impulse Fund II (RIF II)	345,792	8,644,800	24.784
Agora Microfinance N.V.	275,250	6,881,250	19.728
	<u>1,395,253</u>	<u>34,881,325</u>	<u>100</u>

The Company obtained approval from the National Bank of Cambodia on 28 January 2013 and is in the process of updating the Memorandum and Articles of Incorporation with the Ministry of Commerce.

18. Reserves

Under the loan agreement with ICO, the Company is required to transfer every year 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.

19. Interest income

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers	77,839,975	19,484,349	54,392,551	13,466,836
Placements with banks	2,223,187	556,493	2,337,459	578,722
	<u>80,063,162</u>	<u>20,040,842</u>	<u>56,730,010</u>	<u>14,045,558</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

20. Interest expense

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Borrowings	20,263,345	5,072,176	15,579,623	3,857,297
Deposits from customers	1,846,692	462,251	806,813	199,756
	<u>22,110,037</u>	<u>5,534,427</u>	<u>16,386,436</u>	<u>4,057,053</u>

21. Fee and commission expenses

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Fees on borrowings and swap	1,613,258	403,819	2,066,966	511,752
Village bank president and mobile banking agents incentive	3,185,957	797,486	993,594	246,000
	<u>4,799,215</u>	<u>1,201,305</u>	<u>3,060,560</u>	<u>757,752</u>

22. Other income

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loan fees	1,523,105	381,253	1,237,296	306,337
Remittance fees	399,984	100,121	7,816	1,935
Bad debts recovered	117,961	29,527	108,926	26,968
Gains on disposals of property and equipment	79,456	19,889	13,703	3,393
Other income	152,084	38,069	115,305	28,548
	<u>2,272,590</u>	<u>568,859</u>	<u>1,483,046</u>	<u>367,181</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

23. Other operating expenses

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Staff costs	23,976,158	6,001,542	18,782,062	4,650,176
Transportation costs	2,756,290	689,935	1,912,687	473,555
Office supplies and equipment	2,995,319	749,767	1,725,012	427,089
Depreciation and amortisation	2,061,006	515,896	1,821,241	450,914
Office rentals	1,843,422	461,432	1,308,774	324,034
Professional services	2,303,355	576,560	936,943	231,974
Communications	613,062	153,457	454,222	112,459
Utilities	587,852	147,147	407,726	100,947
Other expenses	1,775,946	444,542	827,443	204,863
	<u>38,912,410</u>	<u>9,740,278</u>	<u>28,176,110</u>	<u>6,976,011</u>
Losses on foreign exchange, net (*)	<u>1,425,406</u>	<u>356,797</u>	<u>42,410</u>	<u>10,500</u>
	<u><u>40,337,816</u></u>	<u><u>10,097,075</u></u>	<u><u>28,218,520</u></u>	<u><u>6,986,511</u></u>

* This include losses on foreign exchange amounting to KHR1,400 million incurred on the initial 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".

24. Grant income

Grant income in 2011 represented the 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 2012, the Company received remaining grant of KHR6,007 thousand.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

25. Net cash flows from operating activities

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	14,282,347	3,575,058	9,175,817	2,271,804
Adjustments for:				
Depreciation and amortisation	2,061,006	515,896	1,821,241	450,914
Gain on disposals of property and equipment	(79,456)	(19,889)	(13,703)	(3,393)
Provision for bad and doubtful loans	812,344	203,340	1,889,013	467,693
Unrealised exchange gains	(583,505)	(146,059)	-	-
	<u>16,492,736</u>	<u>4,128,346</u>	<u>12,872,368</u>	<u>3,187,018</u>
Changes in:				
Statutory deposits	(1,495,995)	(374,467)	(895,000)	(221,589)
Deposits and placement with other banks	8,502,575	2,128,304	(24,168,200)	(5,983,708)
Loans to customers	(57,003,338)	(14,268,671)	(66,379,002)	(16,434,514)
Other assets	(630,171)	(157,740)	(2,795,382)	(692,097)
Deposits from customers	15,882,432	3,975,577	12,752,371	3,157,309
Other liabilities	2,592,905	649,037	4,067,380	1,007,027
Provident fund obligations	1,132,091	283,377	971,976	240,648
	<u>(14,526,765)</u>	<u>(3,636,237)</u>	<u>(63,573,489)</u>	<u>(15,739,906)</u>
Cash used in operations	(14,526,765)	(3,636,237)	(63,573,489)	(15,739,906)
Income tax paid	(2,394,761)	(599,439)	(1,117,186)	(276,600)
	<u>(16,921,526)</u>	<u>(4,235,676)</u>	<u>(64,690,675)</u>	<u>(16,016,506)</u>

26. Cash and cash equivalents

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash on hand	8,194,253	2,051,127	1,520,404	376,431
Deposits with NBC	454,224	113,698	113,418	28,081
Deposits and placements with other banks	20,862,392	5,222,126	22,908,245	5,671,762
Bank overdraft	(444)	(111)	(4,037,219)	(999,560)
	<u>29,510,425</u>	<u>7,386,840</u>	<u>20,504,848</u>	<u>5,076,714</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

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 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 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.

(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.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

27. Financial risk management (continued)

(a) Credit risk (continued)

(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

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers neither past due nor impaired	247,992,273	62,075,663	192,392,868	47,633,788
Loans to customers past due but not impaired	612,530	153,324	178,808	44,269
Loans to customers individually impaired	292,323	73,173	186,872	46,268
	<u>248,897,126</u>	<u>62,302,160</u>	<u>192,758,548</u>	<u>47,724,325</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 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(e) and 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.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

27. Financial risk management (continued)

(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.

(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.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

27. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency exchange risk (continued)

Concentration of currency risk

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

	KHR	KHR'000 equivalent US\$	THB	Total KHR'000
As at 31 December 2012				
Financial assets				
Cash on hand	5,609,475	2,441,012	143,766	8,194,253
Deposits with National Bank of Cambodia	6,686,417	5,727	-	6,692,144
Deposits and placements with other banks	14,873,999	44,235,837	504,056	59,613,892
Loans to customers	217,864,077	16,235,196	12,180,543	246,279,816
Other assets	3,664,498	1,539,354	186,585	5,390,437
	<u>248,698,466</u>	<u>64,457,126</u>	<u>13,014,950</u>	<u>326,170,542</u>
Financial liabilities				
Deposits from customers	15,955,368	18,175,371	285,795	34,416,534
Other liabilities	6,056,365	3,946,963	334,576	10,337,904
Borrowings	115,764,539	88,910,184	11,646,086	216,320,809
	<u>137,776,272</u>	<u>111,032,518</u>	<u>12,266,457</u>	<u>261,075,247</u>
Net financial asset/ (liabilities)position	<u>110,922,194</u>	<u>(46,575,392)</u>	<u>748,493</u>	<u>65,095,295</u>
As at 31 December 2011				
Financial assets	65,169,306	10,141,550	192,421,562	267,732,418
Financial liabilities	90,569,539	8,676,181	115,663,975	214,909,695
	<u>(25,400,233)</u>	<u>1,465,369</u>	<u>76,757,587</u>	<u>52,822,723</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

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 2012

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 2012

27. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 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 %
Financial assets								
Cash on hand	-	-	-	-	-	1,520,404	1,520,404	-
Deposit with National Bank of Cambodia	-	-	-	-	3,406,925	1,448,418	4,855,343	3.00
Deposits and placements with banks	13,647,263	8,078,000	4,039,000	39,178,300	-	1,182,982	66,125,545	3.46
Loans to customers	6,181,324	21,769,875	128,360,224	36,447,125	-	(2,669,726)	190,088,822	34.73
Other assets	-	-	-	-	-	5,142,304	5,142,304	-
	<u>19,828,587</u>	<u>29,847,875</u>	<u>132,399,224</u>	<u>75,625,425</u>	<u>3,406,925</u>	<u>6,624,382</u>	<u>267,732,418</u>	
Financial liabilities								
Deposits from customers	7,902,279	2,478,480	5,978,452	2,174,891	-	-	18,534,102	6.95
Borrowings	2,360,950	14,309,827	29,203,126	94,974,206	46,521,991	1,141,808	188,511,908	9.49
Other liabilities	-	-	-	-	-	7,863,685	7,863,685	-
	<u>10,263,229</u>	<u>16,788,307</u>	<u>35,181,578</u>	<u>97,149,097</u>	<u>46,521,991</u>	<u>9,005,493</u>	<u>214,909,695</u>	
Maturity gap	<u>9,565,358</u>	<u>13,059,568</u>	<u>97,217,646</u>	<u>(21,523,672)</u>	<u>(43,115,066)</u>	<u>(2,381,111)</u>	<u>52,822,723</u>	

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

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 2012

27. Financial risk management (continued)

(d) Liquidity 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	Total KHR'000
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>
As at 31 December 2011						
Deposits from customers	7,978,294	2,576,744	6,490,332	2,457,963	-	19,503,333
Borrowings	4,722,650	17,680,234	39,111,061	116,503,527	55,278,624	233,296,096
Other liabilities	3,746,490	-	-	-	-	3,746,490
	<u>16,447,434</u>	<u>20,256,978</u>	<u>45,601,393</u>	<u>118,961,490</u>	<u>55,278,624</u>	<u>256,545,919</u>

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

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:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Tier 1 Capital				
Share capital	34,579,200	8,655,620	34,579,200	8,561,327
Share premium	95,506	23,906	95,506	23,646
Advance capital contribution	333,603	83,505	-	-
Reserves	5,928,121	1,483,885	3,304,338	818,108
Retained earnings	27,160,627	6,798,655	18,250,852	4,518,656
	<u>68,097,057</u>	<u>17,045,571</u>	<u>56,229,896</u>	<u>13,921,737</u>
Less: loan to related parties	(497,779)	(124,601)	(73,760)	(18,262)
Total regulatory capital	<u><u>67,599,278</u></u>	<u><u>16,920,970</u></u>	<u><u>56,156,136</u></u>	<u><u>13,903,475</u></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 2012

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:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Within one year	139,287	34,865	198,989	49,267
Two to five years	64,807	16,222	27,825	6,889
	<u>204,094</u>	<u>51,087</u>	<u>226,814</u>	<u>56,156</u>

(b) Loan commitments

The date of the contractual amounts of the Company's off-balance sheet that it commits to extend the credit to customers are summarised below:

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Unused portion of credit line	<u>15,307,669</u>	<u>3,831,707</u>	<u>9,134,362</u>	<u>2,261,540</u>

(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 2012

29. Related parties transactions and balances

(a) Related-party balances

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to key management personnel	497,779	124,601	73,760	18,262
Deposits from directors and key management personnel	481,641	120,561	2,238,601	554,246

(b) Related party transactions

	2012		2011	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income from loans to key management personnel	47,862	11,980	70,906	17,555
Board of Director expenses	127,623	31,946	82,797	20,499
Key management remuneration and other short- term benefits	1,102,842	276,055	1,625,725	402,507

30. Fair values of financial assets and liabilities

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 statement of financial position are a reasonable estimation of their fair values.

Angkor Mikroheranhvatho (Kampuchea) Co., Ltd

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

31. Comparative figures

The following comparative figures have been reclassified to conform with the current year presentation.

	As reclassified KHR'000	2011 As previously stated KHR'000
Income statement		
Other income	1,483,046	1,440,636
Other operating expenses	(28,218,520)	(28,176,110)
	<hr/>	<hr/>