

THANEAKEA PHUM (CAMBODIA), LTD.

**Financial Statements
for the year ended 31 December 2011
and
Report of the Independent Auditors**

Corporate information

Company	Thaneakea Phum (Cambodia), Ltd.
Registration No	Co. 1413/02E
Registered office	No. 94, Street 360, Sangkat Boeung Keng Kang III, Khan Chamkamon, Phnom Penh Kingdom of Cambodia
Shareholders	DWM Funds S.C.A.-SICAV SIF TPC-ESOP Co., Ltd.
Board of Directors	Mr. Michael John Spingler, Chairman Mrs. Fernanda Pecanha Lacerda De Lima Mr. Ry Vanna (resigned on 10 April 2011) Mrs. Jessica Moffett-Rose, (appointed on 11 February 2011) Mr. Chandula P. Abeywickrema Mr. Christophe Forsinetti, (appointed on 11 February 2011)
Management team	Mrs. Nurhayrah Sadava, Chief Executive Officer (appointed on 7 November 2011) Mr. Michael John Spingler, Acting Chief Executive Officer (resigned on 30 September 2011) Mr. Chuon Sophal, Chief Executive Officer (retired on 31 January 2011) Mr. Sok Voeurn, Chief Operations Officer Mr. Sok Sophal, Chief Finance Officer
Auditor	KPMG Cambodia Ltd

Thaneakea Phum (Cambodia), 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	13



Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Thaneakea Phum (Cambodia), Ltd. ("the Company" or "TPC") for the year ended 31 December 2011.

Principal activity

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

Financial results

The financial results of the Company for the year ended 31 December 2011 were as follows:

	KHR'000
Profit before income tax	7,420,847
Income tax expense	(1,529,166)
Net profit for the year	<u>5,891,681</u>

Reserves and provisions

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

Bad and doubtful loans

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

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

Report of the Board of Directors (continued)

Dividends

During the financial year, the Company declared and paid dividends of KHR349 million in respect of the prior year's retained earnings.

Share capital

On 7 November 2011, the Company requested to the National Bank of Cambodia to increase its share capital to KHR6,176,400 thousand by injecting additional capital of KHR2,176,400 thousand from DWM Funds S.C.A.-SICAV SIF and TPC-ESOP Co., Ltd. The National Bank of Cambodia approved for the increase its share capital through a letter dated 30 November 2011.

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

	← 2011 →			← 2010 →		
	% of Ownership	Number of shares	Amount KHR'000	% of Ownership	Number of shares	Amount KHR'000
DWM Funds S.C.A.						
-SICAV SIF	89.82	55,474	5,547,400	87.84	35,134	3,513,400
TPC-ESOP Co., Ltd	10.18	6,290	629,000	12.16	4,866	486,600
	<u>100</u>	<u>61,764</u>	<u>6,176,400</u>	<u>100</u>	<u>40,000</u>	<u>4,000,000</u>

The total number of shares registered, authorised and paid up is 61,764 shares (31 December 2010: 40,000 shares) with a par value of KHR100,000 per share (31 December 2010: KHR100,000).

The amendment on the Memorandum & Articles of Association of the Company was approved by the National Bank of Cambodia on 7 March 2012.

Current assets

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

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

Report of the Board of Directors (continued)

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

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

Change of circumstances

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

Items of unusual nature

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

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

Events since the reporting date

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

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. Michael John Spingler | Chairman |
| • Mrs. Fernanda Pecanha Lacerda De Lima | Director |
| • Mr. Ry Vanna | Director, (resigned on 10 April 2011) |
| • Mrs. Jessica Moffett-Rose | Director, (appointed on 11 February 2011) |
| • Mr. Chandula P. Abeywickrema | Director |
| • Mr. Christophe Forsinetti | Director, (appointed on 11 February 2011) |

Directors' interests

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

Directors' benefits

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

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

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

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, 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;

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 to the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (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.

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



Mr. Christophe Forsinetti
Director

Date: 29 MAR 2012



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 Thaneakea Phum (Cambodia), Ltd.

We have audited the accompanying financial statements of Thaneakea Phum (Cambodia), Ltd. (“the Company” or “TPC”), which comprise the balance sheet as at 31 December 2011, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 8 to 50.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Thaneakea Phum (Cambodia), Ltd. as at 31 December 2011, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

For KPMG Cambodia Ltd




Craig McDonald
Audit Partner

Phnom Penh

29 March 2012

Thaneakea Phum (Cambodia), Ltd.

Balance sheet As at 31 December 2011

	Note	2011 KHR'000	2010 KHR'000
ASSETS			
Cash on hand	4	474,214	322,678
Deposits and placements with banks	5	45,292,288	34,946,852
Statutory deposits	6	324,020	215,200
Loans to customers	7	133,743,863	88,459,910
Other receivables	8	3,874,124	2,364,604
Property and equipment	9	1,532,569	1,199,820
Intangible assets	10	7,409	14,819
Long term investment	11	60,585	-
Deferred tax assets	12	250,362	139,639
TOTAL ASSETS		<u>185,559,434</u>	<u>127,663,522</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	13	292,456	394,981
Borrowings	14	147,713,373	99,081,495
Other liabilities	15	3,664,036	2,705,933
Deferred grant income		12,224	16,298
Current income tax liability	12	1,311,518	618,069
TOTAL LIABILITIES		<u>152,993,607</u>	<u>102,816,776</u>
EQUITY			
Share capital	16	6,176,400	4,000,000
Reserves		1,955,663	1,373,211
Retained earnings		24,433,764	19,473,535
TOTAL EQUITY		<u>32,565,827</u>	<u>24,846,746</u>
TOTAL LIABILITIES AND EQUITY		<u>185,559,434</u>	<u>127,663,522</u>

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

Thaneakea Phum (Cambodia), Ltd.

Income statement for the year ended 31 December 2011

	Note	2011 KHR'000	2010 KHR'000
Interest income	17	35,538,246	26,546,534
Interest expense	18	(11,365,283)	(9,396,460)
Net interest income		24,172,963	17,150,074
Other operating income	19	504,032	326,587
Operating income		24,676,995	17,476,661
Commission expenses	20	(426,796)	(475,559)
Personnel expenses	21	(11,222,570)	(8,665,513)
Depreciation and amortisation		(693,264)	(591,344)
Administrative expenses	22	(4,977,612)	(3,736,556)
Reversals of allowance for bad and doubtful loans		60,019	378,277
Profit from operations		7,416,772	4,385,966
Grant income		4,075	10,328
Profit before income tax		7,420,847	4,396,294
Income tax expense	12	(1,529,166)	(906,427)
Net profit		5,891,681	3,489,867

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

Thaneakea Phum (Cambodia), Ltd.

Statement of changes in equity for the year ended 31 December 2011

	Share capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
Balance as at 1 January 2010	4,000,000	788,740	16,568,139	21,356,879
Transfer to reserves	-	584,471	(584,471)	-
Net profit for the year	-	-	3,489,867	3,489,867
Balance as at 31 December 2010	4,000,000	1,373,211	19,473,535	24,846,746
Additional share capital issued	2,176,400	-	-	2,176,400
Transfer to reserves	-	582,452	(582,452)	-
Net profit for the year	-	-	5,891,681	5,891,681
Dividends paid	-	-	(349,000)	(349,000)
Balance as at 31 December 2011	<u>6,176,400</u>	<u>1,955,663</u>	<u>24,433,764</u>	<u>32,565,827</u>

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

Thaneakea Phum (Cambodia), Ltd.

Statement of cash flows for the year ended 31 December 2011

	2011 KHR'000	2010 KHR'000
Cash flows from operating activities		
Profit before income tax	7,420,847	4,396,294
Adjustments for non-cash income and expenses:		
Depreciation and amortisation	693,264	591,344
Grant income	(4,075)	(10,328)
Reversals of allowance for bad and doubtful loans	(60,019)	(378,277)
	<u>8,050,017</u>	<u>4,599,033</u>
Changes in:		
Deposits and placements with banks	(4,450,932)	3,280,236
Statutory deposits	(108,820)	-
Loans to customers	(45,223,934)	(19,207,734)
Other receivables	(1,509,520)	(655,912)
Deposits from customers	(102,525)	(27,611)
Other liabilities	958,103	647,993
	<u>(42,387,611)</u>	<u>(11,363,995)</u>
Cash used in operations	(42,387,611)	(11,363,995)
Income tax paid	(946,440)	(399,192)
Grant received	-	4,895
	<u>(43,334,051)</u>	<u>(11,758,292)</u>
Net cash used in operating activities	(43,334,051)	(11,758,292)
Cash flows from investing activities		
Acquisition of property and equipment	(1,018,603)	(753,390)
Investment	(60,585)	-
	<u>(1,079,188)</u>	<u>(753,390)</u>
Net cash used in investing activities	(1,079,188)	(753,390)
Cash flows from financing activities		
Proceeds from borrowings	111,246,435	71,142,366
Repayments of borrowings	(62,614,556)	(65,114,563)
Proceeds from issuance of share capital	2,176,400	-
Dividends paid	(349,000)	-
	<u>50,459,279</u>	<u>6,027,803</u>
Net cash generated from financing activities	50,459,279	6,027,803

Thaneakea Phum (Cambodia), Ltd.

Statement of cash flows (continued) for the year ended 31 December 2011

	2011 KHR'000	2010 KHR'000
Net increase/(decrease) in cash and cash equivalents	6,046,040	(6,483,879)
Cash and cash equivalents at beginning of the year	18,300,299	24,784,178
Cash and cash equivalents at end of the year	<u>24,346,339</u>	<u>18,300,299</u>
Cash and cash equivalents comprise:		
	2011 KHR'000	2010 KHR'000
Cash on hand (Note 4)	474,214	322,678
Deposit and placements with banks (Note 5) (with original maturities of 3 months or less)	23,872,125	17,977,621
	<u>24,346,339</u>	<u>18,300,299</u>

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements for the year ended 31 December 2011

1. Background and principal activities

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

TPC as a micro-finance institution will continue to be primarily, a rural-based credit institution with 31 locations (13 branches) and a head office in Phnom Penh. TPC’s corporate objective is to provide reliable and affordable access to financial services to poor micro-entrepreneurs in rural areas and in the vicinity of Phnom Penh. Out of a total of 24 provinces and cities in Cambodia, TPC is already operating in 16 provinces, namely Banteay Meanchey, Battambang, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Kampot, Kandal, Kratie, Kep, Otdor Meanchey, Phnom Penh, Prey Veng, Siem Reap, Svay Rieng and Takeo.

The National Bank of Cambodia (“NBC”) granted TPC a licence to conduct business as a micro-finance institution for a three-year period commencing from 12 February 2003 to 12 February 2006. On 20 January 2006, the NBC extended this licence for another three-year period commencing from 12 February 2006 to 12 February 2009. On 14 January 2009, the Company obtained its indefinite licence from the NBC.

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

As at 31 December 2011, the Company had 545 employees (31 December 2010: 457 employees).

2. Basis of preparation

(a) Statement of compliance

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

These financial statements were approved by the Board of Directors and authorised for issue on 29 March 2012.

(b) Basis of measurement

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

2. Basis of preparation (continued)

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

3. Significant accounting policies

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

(a) Financial instruments

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

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

(d) Deposit and placements with banks

Deposits and placements with banks are carried at cost.

(e) Loans to customers

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

(f) Allowance for bad and doubtful loans

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

Classification	Number of days past due	Minimum provision
Short-term loans (less than one year):		
Sub-standard	30 – 59 days	10%
Doubtful	60 – 89 days	30%
Loss	90 days or more	100%
Long-term loans (more than one year):		
Sub-standard	30 – 179 days	10%
Doubtful	180 – 359 days	30%
Loss	360 days or more	100%

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

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

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

The Company provides for a 100% provision for any loan overdue more than 30 days. The amount of provision in excess of the defined percentages required by the National Bank of Cambodia (“NBC”) is shown as a general allowance.

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

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

Recoveries on loans previously written off and reversal of previous allowance are disclosed as other operating (loss)/income in the income statement.

(g) Statutory deposits

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

(h) Other receivables

Other receivables are carried at estimated realisable value.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

(i) Property and equipment

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

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

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

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

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

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

(j) Intangible assets

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

(k) Impairment

(i) Financial assets

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

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

All impairment losses are recognised in the income statement.

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

(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.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

(l) Deposits from customers

Deposits from customers are stated at placement value.

(m) Borrowings

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

(n) Provisions

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

(o) Reserves

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

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

(p) Related parties

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

(p) Related parties (continued)

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.

(q) Income and expense recognition

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

Expenses are recognised on an accrual basis.

(r) Grants

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

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

(s) Operating leases

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

(t) Income tax

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

(t) Income tax (continued)

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

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

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

(u) New standards and interpretations not yet adopted

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) effective for financial statements with periods beginning on or after 1 January 2012. The new standards will be referred to as “Cambodian International Financial Reporting Standards” (CIFRS). The following standards are expected to have an impact on the Company’s financial statements:

- CIAS 1 *Presentation of Financial Statements* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

(u) New standards and interpretations not yet adopted (continued)

- CIAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
- Reclassification of Financial Assets (CIAS 39 *Financial Instruments: Recognition and Measurement* and CIFRS 7 *Financial Instruments: Disclosures*) permits the Company to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the Company upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits the Company to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables if the Company has the intention and ability to hold that financial asset for the foreseeable future.
- CIAS 39 *Financial Instruments: Recognition and Measurement* establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Adoption of CIAS 39 will result in the following revisions to the accounting policies on financial instruments:

Loans to customers are currently stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general provisions. Under CIAS 39, such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets: the Company currently follows the mandatory credit classification and provisioning as required by Prakas No. B7-02-186 dated 13 September 2002 issued by the NBC. CIAS 39 requires the Company to assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired, either on an individual or collective assessment basis. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

3. Significant accounting policies (continued)

(u) New standards and interpretations not yet adopted (continued)

Deposits from customers: the Company currently measures deposits from customers at placement value. CIAS 39, such liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Interest income and interest expense: the Company currently recognises interest income and expense on an accrual basis at contractual rates, except where serious doubt exists as to the collectability, in which case interest is suspended until it is realised on a cash basis. CIAS 39 requires interest income and expense for all interest-bearing financial instruments to be recognised using the effective interest method. In respect of a financial asset or a group of similar financial assets which are impaired, interest income is to be recognised at the interest rate used in discounting future cash flows for the purpose of measuring the impairment loss.

4. Cash on hand

	2011 KHR'000	2010 KHR'000
Head office	2,000	2,000
Branches	472,214	320,678
	<u>474,214</u>	<u>322,678</u>

The above amounts are analysed as follows:

	2011 KHR'000	2010 KHR'000
Khmer Riel	261,983	182,654
US Dollars	187,891	130,798
Thai Baht	24,340	9,226
	<u>474,214</u>	<u>322,678</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

5. Deposits and placements with banks

	2011 KHR'000	2010 KHR'000
<i>Current accounts</i>		
National Bank of Cambodia	12,464,640	42,194
ACLEDA Bank Plc.	194,159	8,523,806
Foreign Trade Bank of Cambodia	321,831	-
Maruhan Japan Bank Plc.	101,439	-
<i>Savings accounts</i>		
ACLEDA Bank Plc.	3,101,882	1,990,429
Rural Development Bank of Cambodia	513	588
<i>Fixed deposit accounts</i>		
National Bank of Cambodia *	6,583,570	6,606,390
Foreign Trade Bank of Cambodia *	22,524,254	17,783,445
	<u>45,292,288</u>	<u>34,946,852</u>

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

Deposits and placements with banks are analysed as follows:

(a) By maturity:	2011 KHR'000	2010 KHR'000
Within 1 month	16,184,465	10,557,017
>1 to 3 months	7,687,660	7,420,604
>3 to 60 months	21,420,163	16,969,231
	<u>45,292,288</u>	<u>34,946,852</u>
(b) By currency:	2011 KHR'000	2010 KHR'000
Khmer Riel	5,695,258	1,398,375
US Dollars	39,537,959	33,096,412
Thai Baht	59,071	452,065
	<u>45,292,288</u>	<u>34,946,852</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

5. Deposits and placements with banks (continued)

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

(c) By interest rate (per annum):

Bank inside Cambodia	0.03%- 5%	0.05% - 4.00%
----------------------	-----------	---------------

6. Statutory deposits

	2011 KHR'000	2010 KHR'000
Statutory deposits on:		
Registered share capital	308,820	200,000
Customers' deposits	15,200	15,200
	<u>324,020</u>	<u>215,200</u>

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

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

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

7. Loans to customers

	2011 KHR'000	2010 KHR'000
Thaneakea Phum loans:		
Fixed terms	9,808	989,071
End of cycle	49,927,635	44,856,104
Solidarity group loans:		
Fixed terms	16,863,865	11,476,159
End of cycle	-	181,200
Individual loans:		
Fixed terms	51,962,754	26,868,792
End of cycle	14,186,628	4,861,521
Staff loans	963,676	997,184
	<u>133,914,366</u>	<u>90,230,031</u>
Allowance for bad and doubtful loans		
Specific	(103,548)	(1,701,234)
General	(66,955)	(68,887)
	<u>(170,503)</u>	<u>(1,770,121)</u>
	<u><u>133,743,863</u></u>	<u><u>88,459,910</u></u>
Movement in allowance for bad and doubtful loans is as follows:		
At beginning of the year	1,770,121	3,565,892
Reversals during the year	(60,019)	(378,277)
Written off during the year	(1,534,596)	(1,427,638)
(Loss)/gain on foreign exchange	(5,003)	10,144
	<u>170,503</u>	<u>1,770,121</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

7. Loans to customers (continued)

Loans to customers are analysed as follows:

	2011 KHR'000	2010 KHR'000
(a) By maturity:		
Within 1 month	9,337,413	9,204,928
>1 to 3 months	22,877,718	16,083,189
>3 to 12 months	86,458,593	56,871,370
More than 12 months	15,420,642	8,070,544
	<u>133,914,366</u>	<u>90,230,031</u>
(b) By currency:		
Khmer Riel	74,463,012	59,146,888
US Dollars	50,179,292	22,044,789
Thai Baht	9,272,062	9,038,354
	<u>133,914,366</u>	<u>90,230,031</u>
(c) By economic sector:		
Agriculture	77,786,272	59,554,061
Trade and commerce	26,913,289	19,935,362
Services	11,401,533	4,466,992
Household/family	12,590,277	3,128,689
Construction	1,194,417	670,230
Transportation	547,960	660,548
Other categories	3,480,618	1,814,149
	<u>133,914,366</u>	<u>90,230,031</u>
(d) By resident status:		
Residents	<u>133,914,366</u>	<u>90,230,031</u>
(e) By relationship:		
External customers	132,950,690	89,232,847
Staff loans	963,676	997,184
	<u>133,914,366</u>	<u>90,230,031</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

7. Loans to customers (continued)

	2011 KHR'000	2010 KHR'000
(f) By location:		
Head office	111,613	195,613
Branches:		
Banteay Meanchey	9,927,221	8,174,190
Battambang	15,661,717	9,955,717
Chhouk	10,237,155	5,755,918
Kampong Cham	7,834,392	3,810,641
Kandal	10,111,333	7,426,888
Phnom Penh	9,104,807	4,791,779
Poipet	5,863,696	5,144,272
Samroung Bati	11,151,944	8,206,523
Siem Reap	14,385,348	8,787,000
Svay Rieng	14,493,123	10,613,288
Tramkok	9,263,550	7,798,957
Suong	6,988,416	4,656,572
Kratie	8,780,051	4,912,673
	<u>133,914,366</u>	<u>90,230,031</u>
(g) By performance:		
Standard loans:		
Secured	67,039,274	32,341,402
Unsecured	66,704,589	56,118,508
Sub-standard loans:		
Secured	37,194	4,210
Unsecured	18,456	36,114
Doubtful loans:		
Secured	15,443	6,972
Unsecured	8,657	39,592
Loss loans:		
Secured	23,146	374,579
Unsecured	67,607	1,308,654
	<u>133,914,366</u>	<u>90,230,031</u>
(h) By interest rate (per month):		
Loans in Khmer Riel	2.50% - 3.50%	3.00%
Loans in US Dollars	1.80% - 3.50%	2.00% - 2.50%
Loans in Thai Baht	2.50% - 3.50%	3.00%

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

8. Other receivables

	2011 KHR'000	2010 KHR'000
Interest receivable	2,760,273	1,766,578
Prepayments and deposits	760,835	356,217
Others	353,016	241,809
	<u>3,874,124</u>	<u>2,364,604</u>

9. Property and equipment

	Office furniture and equipment KHR'000	Motor vehicles KHR'000	Computers KHR'000	Total KHR'000
Cost				
At 1 January 2011	192,043	2,562,289	1,160,876	3,915,208
Additions	84,464	674,023	260,116	1,018,603
Written off	-	(236,891)	-	(236,891)
At 31 December 2011	<u>276,507</u>	<u>2,999,421</u>	<u>1,420,992</u>	<u>4,696,920</u>
Less: Accumulated depreciation				
At 1 January 2011	113,587	1,705,803	895,998	2,715,388
Depreciation for the year	40,730	382,627	262,497	685,854
Written off	-	(236,891)	-	(236,891)
At 31 December 2011	<u>154,317</u>	<u>1,851,539</u>	<u>1,158,495</u>	<u>3,164,351</u>
Carrying amounts				
At 31 December 2011	<u>122,190</u>	<u>1,147,882</u>	<u>262,497</u>	<u>1,532,569</u>
At 31 December 2010	<u>78,456</u>	<u>856,486</u>	<u>264,878</u>	<u>1,199,820</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

10. Intangible assets

	Computer software	
	2011	2010
	KHR'000	KHR'000
Cost		
At 1 January/31 December	160,567	160,567
Accumulated amortisation		
At 1 January	145,748	130,929
Amortisation for the year	7,410	14,819
At 31 December	153,158	145,748
Carrying amounts		
At 31 December	7,409	14,819

11. Long term investment

This represents the investment in the Credit Bureau of Cambodia (“CBC”). CBC is a private entity created by the Association of Banks in Cambodia (“ABC”). Its Memorandum of Understanding was signed on 29 January 2010 between the ABC, Cambodia Microfinance Association (“CMA”) and International Finance Corporation (“IFC”).

12. Income tax

(a) Applicable tax rates

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

12. Income tax (continued)

(b) Current income tax liability

	2011 KHR'000	2010 KHR'000
Balance at beginning of year	618,069	155,132
Charge to income statement	1,639,889	862,129
Income tax paid	(946,440)	(399,192)
	<u>1,311,518</u>	<u>618,069</u>

(c) Deferred tax assets

	2011 KHR'000	2010 KHR'000
Deferred tax assets	250,362	146,550
Deferred tax liabilities	-	(6,911)
	<u>250,362</u>	<u>139,639</u>

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

	2011 KHR'000	2010 KHR'000
Provisions	245,821	146,237
Depreciation	78	313
Unrealised exchange loss/(gain)	4,463	(6,911)
	<u>250,362</u>	<u>139,639</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

12. Income tax (continued)

(c) Deferred tax assets (continued)

Movement of deferred tax, net is as follows:

	2011 KHR'000	2010 KHR'000
At beginning of the year	139,639	183,937
Reversal from/(Charge to) profit or loss	110,723	(44,298)
	<u>250,362</u>	<u>139,639</u>
At end of the year	<u><u>250,362</u></u>	<u><u>139,639</u></u>

(d) Income tax expense

	2011 KHR'000	2010 KHR'000
Current income tax	1,639,889	862,129
Deferred tax	(110,723)	44,298
	<u>1,529,166</u>	<u>906,427</u>
	<u><u>1,529,166</u></u>	<u><u>906,427</u></u>

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

	%	2011 KHR'000	%	2010 KHR'000
Profit before income tax		7,420,847		4,396,294
Income tax using applicable income income tax rate	20	1,484,169	20	879,259
Effect of non-deductible expenses	0.61	44,997	0.6	27,168
Effective income tax rate	<u>20.61</u>	<u>1,529,166</u>	<u>20.6</u>	<u>906,427</u>

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

13. Deposits from customers

	2011 KHR'000	2010 KHR'000
Compulsory deposits	156,201	163,354
Staff and other deposits	136,255	231,627
	<u>292,456</u>	<u>394,981</u>
Deposits from customers are analysed as follows:		
(a) By maturity:		
	2011 KHR'000	2010 KHR'000
Within 1 month	201,808	303,596
>1 to 3 months	1,113	2,533
>3 to 12 months	3,654	5,113
More than 12 months	85,881	83,739
	<u>292,456</u>	<u>394,981</u>
(b) By currency:		
Khmer Riel	142,102	197,886
US Dollars	275	263
Thai Baht	150,079	196,832
	<u>292,456</u>	<u>394,981</u>
(c) By interest rate (per annum):		
	2011	2010
Compulsory deposits	-	-
Staff and other deposits	5.00% - 8.00%	5.00% - 8.00%

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

14. Borrowings

		2011 KHR'000	2010 KHR'000
<i>Related parties:</i>			
DWM Income Funds S.C.A.-SICAV SIF (i)		8,176,000	-
<i>Non-related parties:</i>			
Alterfin	(ii)	4,039,000	2,026,500
BlueOrchard		-	4,590,000
Calvert Foundation	(iii)	8,078,000	4,053,000
Grameen Credit Agricole	(iv)	5,588,000	4,050,000
Instituto de Credito Oficial	(v)	16,641,488	16,699,171
Novib Fonds	(vi)	17,297,688	9,232,645
Oikocredit	(vii)	8,959,000	8,200,000
PlaNet Finance/PlaNIS	(viii)	18,104,497	14,386,500
Symbiotics	(ix)	12,117,000	11,145,750
Foreign Trade Bank of Cambodia	(x)	20,825,000	17,912,765
National Bank of Cambodia	(xi)	6,520,000	6,520,000
Aceda Bank Plc	(xii)	1,211,700	-
Incofin	(xiii)	8,039,000	-
Maruhan Japan Bank Plc	(xiv)	4,039,000	-
Global Microfinance Facility	(xv)	8,078,000	-
Individual lenders		-	265,164
		<hr/>	<hr/>
Total		147,713,373	99,081,495
		<hr/> <hr/>	<hr/> <hr/>

- (i) Loans from DWM Income Funds S.C.A.-SICAV SIF are unsecured. Interest is due on a quarterly basis while the principal is to be repaid in four equal instalments starting from 27 May 2013.
- (ii) Two loans from Alterfin are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid in three instalments each of US\$165,000, US\$165,000 and US\$170,000 starting from 4 October 2012 for the first loan and from 5 August 2013 for the second loan.
- (iii) Loans from Calvert Foundation are unsecured. Interest is due on a quarterly basis while the principal is to be repaid at the end of the loan terms on 28 September 2013.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

14. Borrowings (continued)

- (iv) Loans from Grameen Credit Agricole are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid in four and five instalments each starting from 15 April 2012 and 15 October 2012 respectively.
- (v) Loans from Instituto de Credito Oficial are unsecured. Interest is due on a quarterly basis while the principal is to be repaid in six instalments starting from 12 April 2017.
- (vi) Loans from Novib Fonds are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid on 19 May 2012 amounting to US\$500,000 and the remaining balance is to be repaid in four equal instalments of US\$945,667 each from 15 January 2014.
- (vii) Loans from Oikocredit are unsecured. Interest is due on a semi-annual basis while one of the principal is to be repaid in three equal instalments of KHR1,640 million each from 2 April 2012 and the other two principal are to be repaid in five equal instalments each of KHR404 million starting from 9 May 2012.
- (viii) Loans from PlaNet Finance/PlaNIS are unsecured. Interest is due on a semi-annual basis while the principal is to be repaid at the end of the loan terms on 20 January 2012, 10 February 2012, 29 June and December 2012, 23 May 2013, and 23 September 2013 respectively.
- (ix) Loans from Symbiotics are unsecured. Interest is due on a semi-annual and an annual basis while one of the principal is to be repaid on 21 April 2012, and the other four principal are to be repaid on 28 January 2013, 5 May 2013, 30 May 2013 and 7 November 2013 respectively.
- (x) Loans from Foreign Trade Bank of Cambodia are secured by a fixed deposit of KHR22,524 million (Note 5). Interest is due on a monthly basis while the principal is to be repaid at the end of the loan terms on 11 March 2012, 18 April 2012, 12 May 2012, 14 August 2012, 6 December 2012 and 21 December 2012 respectively.
- (xi) Loans from National Bank of Cambodia are secured by a fixed deposit of KHR6,584 million (Note 5). Interest is due on a monthly basis while the principal is to be repaid on 16 February 2012, 15 March 2012, 19 April 2012 and 26 April 2012 respectively.
- (xii) Loans from Aceda Bank Plc are unsecured. Interest is due on a monthly basis while the principal of US\$150,000 each are to be repaid on 27 April 2012 and 27 April 2013 respectively.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

14. Borrowings (continued)

(xiii) Loans from Incofin are unsecured. Interest is due on a quarterly and semi-annual basis while the principal is to be repaid at the end of the loan terms on 22 March 2013 and 24 March 2014 respectively.

(xiv) Loans from Maruhan Japan Bank Plc are unsecured. Interest is due on a monthly basis while the principal is to be repaid in twelve quarterly equal instalments each of US\$83,334 starting from 27 January 2012.

(xv) Loans from Global Microfinance Facility are unsecured. Interest is due on a quarterly basis while the principal of US\$1,000,000 each are to be repaid on 13 January 2014 and 11 April 2014 respectively.

Borrowings are analysed as follows:

(a) By maturity:

	2011 KHR'000	2010 KHR'000
Within 1 month	2,356,085	2,492,664
>1 to 3 months	9,548,498	7,915,250
>3 to 12 months	40,061,893	46,042,005
1 to 5 years	79,105,409	42,631,576
Over 5 years	16,641,488	-
	<u>147,713,373</u>	<u>99,081,495</u>

(b) By currency:

Khmer Riel	44,441,000	34,640,265
US Dollars	95,735,876	53,573,730
Thai Baht	7,536,497	10,867,500
	<u>147,713,373</u>	<u>99,081,495</u>

(c) By interest rate (per annum):

	2011	2010
Borrowings	5.50% - 13.15%	5.50% - 12.00%

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

15. Other liabilities

	2011 KHR'000	2010 KHR'000
Interest payables	1,958,184	1,625,307
Staff incentive (Year-end bonus)	589,168	348,987
Staff bonus	731,015	357,196
Withholding tax payable	195,486	155,413
Other payables	190,183	219,030
	<u>3,664,036</u>	<u>2,705,933</u>

16. Share capital

On 7 November 2011, the Company requested to the National Bank of Cambodia to increase its share capital to KHR6,176,400 thousand by injecting additional capital of KHR2,176,400 thousand from DWM Funds S.C.A.-SICAV SIF and TPC-ESOP Co., Ltd. The National Bank of Cambodia approved for the increase its share capital through a letter dated 30 November 2011.

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

	← 2011 →			← 2010 →		
	% of Ownership	Number of shares	Amount KHR'000	% of Ownership	Number of shares	Amount KHR'000
DWM Funds S.C.A. -SICAV SIF	89.82	55,474	5,547,400	87.84	35,134	3,513,400
TPC-ESOP Co., Ltd	10.18	6,290	629,000	12.16	4,866	486,600
	<u>100</u>	<u>61,764</u>	<u>6,176,400</u>	<u>100</u>	<u>40,000</u>	<u>4,000,000</u>

The total number of shares registered, authorised and paid up is 61,764 shares (31 December 2010: 40,000 shares) with a par value of KHR100,000 per share (31 December 2010: KHR100,000).

The amendment on the Memorandum & Articles of Association of the Company was approved by the National Bank of Cambodia on 7 March 2012.

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

17. Interest income

	2011 KHR'000	2010 KHR'000
Loan to customers	34,629,104	25,794,752
Placements with banks	909,142	751,782
	<u>35,538,246</u>	<u>26,546,534</u>

18. Interest expense

	2011 KHR'000	2010 KHR'000
Borrowings	11,351,118	9,375,381
Customers' deposits	14,165	21,079
	<u>11,365,283</u>	<u>9,396,460</u>

19. Other operating income

	2011 KHR'000	2010 KHR'000
Foreign exchange (loss)/gains	(69,907)	39,128
Recovery from loans written off	557,350	251,356
Penalty income	7,365	20,680
Other income	9,224	15,423
	<u>504,032</u>	<u>326,587</u>

20. Commission expenses

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

21. Personnel expenses

	2011 KHR'000	2010 KHR'000
Salaries and wages	10,553,963	8,026,458
Other short-term benefits	668,607	639,055
	<u>11,222,570</u>	<u>8,665,513</u>

22. Administrative expenses

	2011 KHR'000	2010 KHR'000
Travelling expenses	1,037,213	727,879
Rental expenses	907,295	696,584
Professional services	211,833	166,977
Bank and service charges and other fees	566,014	471,629
Office supplies and equipment	465,422	374,517
Utilities	343,142	231,486
Communications	292,720	169,334
Photocopies and printing	150,936	182,563
Other expenses	1,003,037	715,587
	<u>4,977,612</u>	<u>3,736,556</u>

23. Related party transactions and balances

(a) Related party transactions:

	2011 KHR'000	2010 KHR'000
Key management		
Salary and other benefits	1,953,204	1,858,613
Interest income	1,033	11,783
Interest expense		
Mr. Michael John Spingler	6,293	18,490
DWM Income Funds S.C.A.-SICAV SIF	757,046	-
	<u>763,340</u>	<u>18,490</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

23. Related party transactions and balances (continued)

(b) Related party balances:

	2011 KHR'000	2010 KHR'000
Key management loans	-	66,667
Borrowing from Mr. Michael John Spingler (Repaid on 29 April 2011)	-	157,500
Borrowing from DWM Income Funds S.C.A. -SICAV SIF (Note 14)	8,176,000	-
	<u>8,176,000</u>	<u>-</u>

24. Commitments and contingencies

(a) Lease commitments

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

	2011 KHR'000	2010 KHR'000
Within one year	659,177	589,498
Two to five years	359,392	460,975
	<u>1,018,569</u>	<u>1,050,473</u>

(b) Taxation contingencies

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

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. Financial risk management

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

(a) Credit risk

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

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

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

(i) *Risk limit control and mitigation policies*

The Company operates and provides loans to individual customers or group loans within the Kingdom of Cambodia. The Company manages limits and controls concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to individual customers and with group loans whereby members of the group can secure each other, which is common practice.

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

(ii) *Impairment and provisioning policies*

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Exposure to credit risk:

	2011 KHR'000	2010 KHR'000
Loans to customers		
Neither past due nor impaired	133,716,928	88,434,820
Past due but not impaired	26,935	25,090
Individually impaired	170,503	1,770,121
	<u>133,914,366</u>	<u>90,230,031</u>
Allowance for bad and doubtful loans	<u>(170,503)</u>	<u>(1,770,121)</u>
	<u>133,743,863</u>	<u>88,459,910</u>

Impaired loans and advances

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

Past due but not impaired loans and advances

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

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

(c) Market risk

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

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

(i) Foreign currency exchange risk

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. 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:

2011	(KHR'000 equivalent)			Total KHR'000
	KHR	US\$	THB	
Assets				
Cash on hand	261,983	187,891	24,340	474,214
Deposits and placements with banks	5,695,258	39,537,959	59,071	45,292,288
Statutory deposits	324,020	-	-	324,020
Loans to customers	74,381,225	50,115,861	9,246,777	133,743,863
Other receivables	1,631,600	2,082,526	159,998	3,874,124
Total financial assets	82,294,086	91,924,237	9,490,186	183,708,509
Liabilities				
Deposits from customers	142,102	275	150,079	292,456
Borrowings	44,441,000	95,735,876	7,536,497	147,713,373
Other liabilities	2,061,074	1,419,773	183,189	3,664,036
Deferred grant income	12,224	-	-	12,224
Current income tax liability	1,311,518	-	-	1,311,518
Total financial liabilities	47,967,918	97,155,924	7,869,765	152,993,607
Net asset/(liability) position	34,326,168	(5,231,687)	1,620,421	30,714,902
2010				
Total financial assets	60,812,884	55,908,468	9,587,892	126,309,244
Total financial liabilities	36,747,196	54,643,599	11,425,981	102,816,776
Net asset/(liability) position	24,065,688	1,264,869	(1,838,089)	23,492,468

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. 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, bank deposits and borrowings.

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

Thanakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

2011	Up to 1 month KHR'000	>1 – 3 months KHR'000	>3 – 12 months KHR'000	>1 – 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	474,214	474,214	
Deposits and placements with banks	-	7,687,660	21,420,163	-	-	16,184,465	45,292,288	2.01%
Statutory deposits	-	-	-	-	308,820	15,200	324,020	3.00%
Loans to customers	9,166,910	22,877,718	86,458,593	15,240,642	-	-	133,743,863	25.86%
- Performing	-	-	-	-	-	170,503	170,503	
- Non performing	-	-	-	-	-	(170,503)	(170,503)	
- Provision for bad and doubtful loans	-	-	-	-	-	3,874,124	3,874,124	
Other receivables	-	-	-	-	-	-	-	
Total financial assets	9,166,910	30,565,378	107,878,756	15,240,642	308,820	20,548,003	183,708,509	
Liabilities								
Deposits from customers	136,255	-	-	-	-	156,201	292,456	4.84%
Borrowings	2,356,085	9,548,498	49,877,893	69,289,409	16,641,488	-	147,713,373	7.68%
Other liabilities	-	-	-	-	-	3,664,036	3,664,036	
Current income tax liability	-	-	-	-	-	1,311,518	1,311,518	
Total financial liabilities	2,492,340	9,548,498	49,877,893	69,289,409	16,641,488	5,131,755	152,981,383	
Maturity gap	6,674,570	21,016,880	58,000,863	(54,048,767)	(16,332,668)	15,416,248	30,727,126	

Thaneaeka Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. Financial risk management (continued)

(c) Market risk (continued)

		<i>Interest rate risk (continued)</i>					Non-interest sensitive		Weighted average	
2010	Up to 1 month	>1 – 3 months	>3 – 12 months	>1 – 5 years	Over 5 years	KHR'000	KHR'000	Total	interest %	
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000			KHR'000	%	
Assets										
Cash on hand	-	-	-	-	-	-	322,678	322,678	2.15%	
Deposits and placements with banks	1,991,017	7,420,604	16,969,231	-	-	8,566,000	34,946,852		3.00%	
Statutory deposits	-	-	-	-	200,000	15,200	215,200			
Loans to customers	7,434,807	16,083,189	56,871,370	8,070,544	-	-	88,459,910		28.58%	
- Performing	-	-	-	-	-	1,770,121	1,770,121			
- Non performing	-	-	-	-	-	(1,770,121)	(1,770,121)			
- Provision for bad and doubtful loans	-	-	-	-	-	2,364,604	2,364,604			
Other receivables	-	-	-	-	-	-	-			
Total financial assets	9,425,824	23,503,793	73,840,601	8,070,544	200,000	11,268,482	126,309,244			
Liabilities										
Deposits from customers	303,596	2,533	5,113	263	-	83,476	394,981		5.33%	
Borrowings	2,492,664	7,915,250	46,042,005	42,631,576	-	-	99,081,495		9.06%	
Other liabilities	-	-	-	-	-	2,705,933	2,705,933			
Current income tax liability	-	-	-	-	-	618,069	618,069			
Total financial liabilities	2,796,260	7,917,783	46,047,118	42,631,839	-	3,407,478	102,800,478			
Maturity gap	6,629,564	15,586,010	27,793,483	(34,561,295)	200,000	7,861,004	23,508,766			

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

	Income statement	
	100 bp increase KHR'000	100 bp decrease KHR'000
31 December 2011		
Variable rate instruments	(130,960)	130,960
Cash flow sensitivity	(130,960)	130,960

(d) Liquidity risk

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

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

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

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. Financial risk management (continued)

(d) Liquidity risk (continued)

2011	Up to 1 month KHR'000	>1 – 3 months KHR'000	>3 – 12 months KHR'000	>1 – 5 years KHR'000	Over 5 years KHR'000	No fixed terms KHR'000	Total KHR'000
Liabilities							
Deposits from customers	201,808	1,113	3,654	278	-	85,603	292,456
Borrowings	2,356,086	9,548,498	40,061,892	79,105,409	16,641,488	-	147,713,373
Other liabilities	977,365	1,873,036	801,069	12,566	-	-	3,664,036
Current income tax liability	-	1,311,518	-	-	-	-	1,311,518
	<u>3,535,259</u>	<u>12,734,165</u>	<u>40,866,615</u>	<u>79,118,253</u>	<u>16,641,488</u>	<u>85,603</u>	<u>152,981,383</u>
2010							
Liabilities							
Deposits from customers	303,596	2,533	5,113	83,739	-	-	394,981
Borrowings	2,492,664	7,915,250	46,042,005	42,631,576	-	-	99,081,495
Other liabilities	991,293	759,405	955,235	-	-	-	2,705,933
Current income tax liability	-	618,069	-	-	-	-	618,069
	<u>3,787,553</u>	<u>9,295,257</u>	<u>47,002,353</u>	<u>42,715,315</u>	<u>-</u>	<u>-</u>	<u>102,800,478</u>

Thaneakea Phum (Cambodia), Ltd.

Notes to the financial statements (continued) for the year ended 31 December 2011

25. 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.

(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.

26. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried in the balance sheet are approximately equal to their carrying values as at 31 December 2011.