

CAMMA MICROFINANCE LIMITED

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

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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DIRECTORS' REPORT

The Board of Directors of CAMMA Microfinance Limited (the Company) is pleased to present its report and the audited financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

The Company's principal activity is to efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are farmers, artisans and business persons.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2014 is set out in the income statement on page 7 of the financial statements.

SHARE CAPITAL

The registered and paid-up capital of the Company is disclosed in the Note 13 to the financial statements.

BAD AND DOUBTFUL LOANS

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

At the date of this report, the Board of Directors are not aware of any circumstances which would render the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

ASSETS

Before the Company's financial statements were drawn up, the Board of Directors took reasonable steps to ensure that any 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 are not aware of any circumstances which would render the values attributed to the assets in the Company's financial statements misleading in any material respect.



CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- i) no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and
- ii) no contingent liability in respect of the Company that has arisen since the end of the 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 after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The Company's financial performance for the year ended 31 December 2014 was not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

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

THE BOARD OF DIRECTORS

The members of the Board of Directors holding office during the financial year and as at the date of this report are:

Mr. Benson Samay	Chairperson
Ms. Khat Sokean	Vice-chairperson
Mr. Thun Vathana	Member



RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors are responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and 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 judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of Cambodian Accounting Standards and the guidelines issued by Central Bank or, if there have been any departures in the interest of true and fair presentation, ensure they 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) set overall policies for the Company, ratify all decisions and actions by the Board of Directors that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, which present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year ended 31 December 2014 in accordance with Cambodian Accounting Standards and the guidelines issued by Central Bank, were approved by the Board of Directors.

On behalf of the Board of Directors,

Mr. Benson Samay
Chairperson



Ms. Dith Nita
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 09 APR 2015



Independent auditor's report

To the shareholders of CAMMA Microfinance Limited

We have audited the accompanying financial statements of CAMMA Microfinance Limited (the Company), which comprise the balance sheet as at 31 December 2014, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibilities for the financial statements

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

Auditor's Responsibility

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

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

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

PricewaterhouseCoopers (Cambodia) Ltd.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines issued by Central Bank.

For PricewaterhouseCoopers (Cambodia) Ltd.


By Lang Hy
Director



Phnom Penh, Kingdom of Cambodia
Date: 09 April 2015

CAMMA MICROFINANCE LIMITED

**BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014		2013	
		US\$	KHR '000	US\$	KHR '000
Assets					
Cash on hand		65,874	268,437	52,120	208,219
Balances with the Central Bank	4	52,888	215,519	42,718	170,658
Balances with banks	5	85,548	348,608	516,571	2,063,701
Loans to customers	6	4,724,960	19,254,212	3,559,846	14,221,585
Other assets	7	84,242	343,286	75,896	303,205
Property and equipment	8	44,172	180,001	59,708	238,534
Intangible assets	9	1,683	6,858	1,211	4,838
Total assets		5,059,367	20,616,921	4,308,070	17,210,740
Liabilities and equity					
Liabilities					
Borrowings	10	3,656,364	14,899,683	3,187,000	12,732,065
Other liabilities	11	67,644	275,650	33,687	134,580
Current income tax liabilities	12	49,575	202,018	33,645	134,412
Total liabilities		3,773,583	15,377,351	3,254,332	13,001,057
Equity					
Share capital	13	1,053,000	4,290,975	850,000	3,395,750
Retained earnings		232,784	948,595	203,738	813,933
Total equity		1,285,784	5,239,570	1,053,738	4,209,683
Total liabilities and equity		5,059,367	20,616,921	4,308,070	17,210,740

The accompanying notes on pages 10 to 36 form an integral part of these financial statements.

CAMMA MICROFINANCE LIMITED

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

	Note	2014		2013	
		US\$	KHR '000	US\$	KHR '000
Interest income	14	873,382	3,559,032	640,801	2,560,000
Interest expense	15	(281,688)	(1,147,879)	(198,254)	(792,025)
Net interest income		591,694	2,411,153	442,547	1,767,975
Provision for bad and doubtful loans	6(a)	(20,506)	(83,562)	(10,849)	(43,342)
Net interest income after provision for bad and doubtful loans		571,188	2,327,591	431,698	1,724,633
Other operating income	16	56,595	230,625	25,226	100,778
Personnel expenses	17	(171,816)	(700,150)	(112,399)	(449,034)
Depreciation and amortisation charges		(23,541)	(95,930)	(21,518)	(85,964)
General and administrative expenses	18	(142,368)	(580,150)	(124,822)	(498,664)
Profit before income tax		290,058	1,181,986	198,185	791,749
Income tax expense	19	(58,012)	(236,399)	(39,637)	(158,350)
Profit for the year		<u>232,046</u>	<u>945,587</u>	<u>158,548</u>	<u>633,399</u>

The accompanying notes on pages 10 to 36 form an integral part of these financial statements.

CAMMA MICROFINANCE LIMITED

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

	Share capital US\$	Retained earnings US\$	Total US\$
As at 1 January 2013	850,000	45,190	895,190
Profit for the year	-	158,548	158,548
As at 31 December 2013	<u>850,000</u>	<u>203,738</u>	<u>1,053,738</u>
Equivalent in KHR '000	<u>3,395,750</u>	<u>813,933</u>	<u>4,209,683</u>
As at 1 January 2014	850,000	203,738	1,053,738
Profit for the year	-	232,046	232,852
Transfer from retained earnings to share capital	203,000	(203,000)	-
Balance as at 31 December 2014	<u>1,053,000</u>	<u>232,784</u>	<u>1,285,784</u>
Equivalent in KHR '000	<u>4,290,975</u>	<u>948,595</u>	<u>5,239,570</u>

The accompanying notes on pages 10 to 36 form an integral part of these financial statements.

CAMMA MICROFINANCE LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014		2013	
		US\$	KHR '000	US\$	KHR '000
Cash flows from operating activities					
Cash used in operations	20	(1,410,316)	(5,747,038)	(1,315,088)	(5,253,778)
Interest received		863,908	3,520,425	629,140	2,513,414
Interest paid		(279,496)	(1,138,946)	(187,146)	(747,648)
Income tax paid	12	(42,082)	(171,484)	(13,227)	(52,842)
Net cash used in operating activities		<u>(867,986)</u>	<u>(3,537,043)</u>	<u>(886,321)</u>	<u>(3,540,854)</u>
Cash flows from investing activities					
Statutory capital deposit		(10,150)	(41,361)	-	-
Term deposits		200,000	815,000	(200,000)	(799,000)
Purchases of property and equipment	8	(6,802)	(27,718)	(21,064)	(84,151)
Purchases of intangible assets	9	(1,675)	(6,826)	(1,035)	(4,135)
Net cash generated/(used) in investing activities		<u>181,373</u>	<u>739,095</u>	<u>(222,099)</u>	<u>(887,286)</u>
Cash flows from financing activities					
Proceeds from borrowings		3,791,534	15,450,503	1,918,526	7,664,512
Repayments of borrowings		<u>(3,322,170)</u>	<u>(13,537,843)</u>	<u>(536,526)</u>	<u>(2,143,421)</u>
Net cash generated from financing activities		<u>469,364</u>	<u>1,912,660</u>	<u>1,382,000</u>	<u>5,521,091</u>
Net (decrease)/increase in cash and cash equivalents					
		(217,249)	(885,288)	273,580	1,092,951
Cash and cash equivalent at the beginning of the year		368,909	1,473,790	95,329	380,839
Currency translation Difference		-	29,513	-	-
Cash and cash equivalents at the end of the year	21	<u>151,660</u>	<u>618,015</u>	<u>368,909</u>	<u>1,473,790</u>

The accompanying notes on pages 10 to 36 form an integral part of these financial statements.

CAMMA MICROFINANCE LIMITED

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

1. BACKGROUND INFORMATION

CAMMA Microfinance Limited (the Company) is incorporated in the Kingdom of Cambodia as a limited liability company. The Company is registered with the Ministry of Commerce under the Registration No. Co. 0700 KH/2010, dated 06 April 2010. On 29 July 2010, the Company obtained a permanent license from the National Bank of Cambodia (NBC or the Central Bank) to provide micro-finance services.

The Company's vision is to become a reliable microfinance institution which provides the Cambodian people with opportunities to improve their livelihoods through access to loans from the Company.

The Company's principal activity is to efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are farmers, artisans and business persons.

The Company's registered office is located at No.101A, Street 289, Sangkat Boeng Kak I, Khan Toul Kok, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the Board of Directors on 09 April 2015.

2. SUMMARY OF 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 the period presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company, which are expressed in United States Dollars (US\$), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards (CAS) and the guidelines of the Central Bank.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The financial statements are therefore not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

CAMMA MICROFINANCE LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New financial reporting framework

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance announced the adoption of Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by International Accounting Standard Board (IASB) including other interpretation and amendment that may occur in any circumstances to each standard by adding "Cambodian". Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

The National Accounting Council of the Ministry of Economy and Finance through Circular No. 086 MoEF.NAC dated 30 July 2012 approves banking and financial institutions to delay adoption of CIFRS until the periods beginning on or after 1 January 2016.

The first financial statement of the Company which will be prepared under CIFRS is the year ending 31 December 2016. CAS, is the current accounting standard used, is different to CIFRS in many areas. Hence, the adoption of CIFRS will have significant impact on the financial statement of the Company.

2.3 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The management has determined the US\$ to be the Company's functional currency owing to the significant influence of the US\$ on its operations. The financial statements are presented in US\$, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Transactions in currencies other than US\$, the functional and presentation currency, are translated into US\$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary and liabilities denominated in currencies other than US\$, are recognised in the income statement.

(iii) *Presentation in Khmer Riel*

For the sole regulatory purpose of complying with the Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation to Khmer Riel is provided for the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements as of and for the year ended 31 December 2014 using the official rate of exchange published by the Central Bank as at the reporting date, which was United States dollars (US\$) 1 to Khmer Riel (KHR) 4,075 (31 December 2013: US\$1 to KHR3,995). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

CAMMA MICROFINANCE LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted balances with the Central Bank, and balances with banks, and other short-term highly liquid investments with original maturities of three months or less where the Company has full ability to withdraw for general purpose whenever needed

2.5 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 for bad and doubtful loans.

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management. The provision for doubtful loans charged to expense is based on the management's judgment of the amount necessary to maintain the provision balance at a level adequate to absorb losses.

2.6 Provision for bad and doubtful loans

The Company follows the mandatory credit classification and provisioning as required by Prakas B7-02-186 dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes and ensure that the minimum mandatory level of specific provisioning is provided:

Classification	Number of days past due	Provision (%)
<i>Short term loans (less than one year):</i>		
Standard	0 - 30 days	0%
Substandard	31 - 60 days	10%
Doubtful	61 - 90 days	30%
Loss	Over 90 days	100%
<i>Long term loans (more than one year):</i>		
Standard	0 - 30 days	0%
Substandard	31 - 180 days	10%
Doubtful	181 - 360 days	30%
Loss	Over 360 days	100%

Loans are written off when there is no realistic prospect of recovery. Recovery of previously written-off loans to customers is recognised in the income statement.

CAMMA MICROFINANCE LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Leasehold improvement	25%
Computer and IT equipment	25%
Office furniture and equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.8 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised at 25% per annum using straight-line basis.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

CAMMA MICROFINANCE LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities amortised on straight line basis over the period of each borrowing facilities to the income statement.

2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.12 Income tax

(a) *Current income tax*

The current income tax, recognised in the income statement, is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the Kingdom of Cambodia where the Company operates and generates taxable income.

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income taxes are calculated using a principal tax rate of 20%.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity.

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

2.13 Interest income and expense recognition

Interest income earned on loans is recognised on an accrual basis taking into consideration the principal amount of loans outstanding. When a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis.

Interest expenses on borrowings are recognised on an accrual basis.

CAMMA MICROFINANCE LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Fee and commission income

Fee and commission income is recognised on an accruals basis when the service has been provided. Loan processing fees are recognised as income when loan is disbursed.

2.15 Operating leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.16 Related party transactions

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

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital of the Company or voting rights and include any individual who participates in the administration, direction, management or internal control of the Company.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment losses on loans to customers

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186, dated 13 September 2002 of the Central Bank. The Central Bank requires micro-finance institutions to classify their loan portfolios into four classes, and a minimum mandatory level of provision is made depending on the classification concerned. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

CAMMA MICROFINANCE LIMITED

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

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

b) Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expense will be made following inspection by the General Department of Taxation. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. BALANCES WITH THE CENTRAL BANK

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Statutory capital deposit (*)	52,650	214,549	42,500	169,788
Current accounts	238	970	218	870
	<u>52,888</u>	<u>215,519</u>	<u>42,718</u>	<u>170,658</u>

(*) The Company is required to maintain a minimum amount equal to 5% of its paid-up capital and this statutory deposit can't be used for day-to-day operation and earns interest at 0.08% per annum (2013:0.11%).

5. BALANCES WITH BANKS

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Current accounts	85,548	348,608	166,571	665,451
Term deposits	-	-	350,000	1,398,250
	<u>85,548</u>	<u>348,608</u>	<u>516,571</u>	<u>2,063,701</u>

There was no term deposit as at 31 December 2014. Term deposit as at 31 December 2013 included \$150,000 and \$200,000 of three-month and six-month respectively. Term deposit bears interest at 2% per annual.

(i) *Annual interest rates:*

	2014	2013
Current accounts	Nil - 0.50%	Nil - 0.75%
Term deposits	Nil	2% - 2.25%

CAMMA MICROFINANCE LIMITED

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

6. LOANS TO CUSTOMERS

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Short term loans	44,651	181,953	45,732	182,699
Long term loans	4,691,811	19,119,130	3,519,183	14,059,136
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>
Provision for bad and doubtful loans	<u>(11,502)</u>	<u>(46,871)</u>	<u>(5,069)</u>	<u>(20,250)</u>
	<u>4,724,960</u>	<u>19,254,212</u>	<u>3,559,846</u>	<u>14,221,585</u>

(a) Provision for bad and doubtful loans

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
At 1 January	5,069	20,250	1,400	5,593
Provision charge during the year	20,506	83,562	10,849	43,342
Bad debts written off during the year	(14,073)	(57,347)	(7,180)	(28,685)
Currency translation difference	-	406	-	-
At 31 December	<u>11,502</u>	<u>46,871</u>	<u>5,069</u>	<u>20,250</u>

(b) By maturity

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
No later than 1 month	4,178	17,025	119	475
Later than 1 month and no later than 3 months	7,528	30,677	2,933	11,717
Later than 3 months and no later than 12 months	148,260	604,160	134,105	535,749
Later than 12 months	4,576,496	18,649,221	3,427,758	13,693,894
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

CAMMA MICROFINANCE LIMITED

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

6. LOANS TO CUSTOMERS (continued)

(c) *By economic sector*

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Household/family	1,849,164	7,535,343	8,400	33,558
Trade and commerce	1,614,772	6,580,196	1,526,024	6,096,466
Services	841,280	3,428,216	709,745	2,835,431
Agriculture	147,670	601,755	245,453	980,585
Transportation	111,787	455,532	182,867	730,554
Construction	51,599	210,266	99,759	398,537
Others	120,190	489,775	792,667	3,166,704
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

(d) *By currency*

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
US Dollars	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

(e) *By relationship*

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Staff loans	79,149	322,532	30,433	121,580
External customers	<u>4,657,313</u>	<u>18,978,551</u>	<u>3,534,482</u>	<u>14,120,255</u>
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

CAMMA MICROFINANCE LIMITED

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

6. LOANS TO CUSTOMERS (continued)

(f) *By performance*

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Standard loans				
- Secured	4,667,119	19,018,510	3,502,218	13,991,361
- Unsecured	18,195	74,145	30,433	121,580
Substandard loans				
- Secured	21,721	88,513	23,053	92,097
- Unsecured	-	-	-	-
Doubtful loans				
- Secured	28,710	116,993	9,211	36,797
- Unsecured	-	-	-	-
Loss Loans				
-Secured	717	2,922	-	-
-Unsecured	-	-	-	-
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

(g) *By exposure*

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Non large exposures	4,736,462	19,301,083	3,564,915	14,241,835
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

(h) *By location*

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Phnom Penh city	3,765,841	15,345,802	2,641,010	10,550,835
Kandal province	970,621	3,955,281	923,905	3,691,000
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

CAMMA MICROFINANCE LIMITED

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

6. LOANS TO CUSTOMERS (continued)

(i) *By residency status*

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Residents	4,736,462	19,301,083	3,564,915	14,241,835
	<u>4,736,462</u>	<u>19,301,083</u>	<u>3,564,915</u>	<u>14,241,835</u>

(j) *Interest rate*

The annual interest rates during the year are as follows:

	2014	2013
Staff loans	16%	15.60%
External customers	13% - 36%	15.60% - 30%

7. OTHER ASSETS

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Interest receivable	53,605	218,440	40,149	160,395
Interest in suspense	(5,944)	(24,222)	(1,962)	(7,838)
Net interest receivable	<u>47,661</u>	<u>194,218</u>	<u>38,187</u>	<u>152,557</u>
Deposits(*)	31,400	127,955	32,075	128,140
Others	<u>5,181</u>	<u>21,113</u>	<u>5,634</u>	<u>22,508</u>
	<u>84,242</u>	<u>343,286</u>	<u>75,896</u>	<u>303,205</u>

(*) This mainly represents the deposit for office building rental which will be refundable at the end of lease term. The rental contract will be expired on 31 October 2022.

CAMMA MICROFINANCE LIMITED

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

8. PROPERTY AND EQUIPMENT

	Leasehold improvement US\$	Office furniture and equipment US\$	Computer and IT equipment US\$	Total US\$
As at 1 January 2013				
Cost	47,947	5,491	14,095	67,533
Accumulated Depreciation	-	(2,921)	(5,461)	(8,382)
Net book value	<u>47,947</u>	<u>2,570</u>	<u>8,634</u>	<u>59,151</u>
Year ended 31 December 2013				
Opening net book value	47,947	2,570	8,634	59,151
Additions	7,205	6,035	7,824	21,064
Depreciation charge	(12,910)	(2,313)	(5,284)	(20,507)
Closing net book value	<u>42,242</u>	<u>6,292</u>	<u>11,174</u>	<u>59,708</u>
At 31 December 2013				
Cost	55,152	11,156	21,919	88,597
Accumulated depreciation	(12,910)	(5,234)	(10,745)	(28,889)
Net book value	<u>42,242</u>	<u>6,292</u>	<u>11,174</u>	<u>59,708</u>
Equivalent in KHR '000	<u>168,757</u>	<u>25,137</u>	<u>44,640</u>	<u>238,534</u>
Year ended 31 December 2014				
Opening net book value	42,242	6,292	11,174	59,708
Additions	2,063	1,278	3,461	6,802
Depreciation charge	(14,010)	(2,990)	(5,338)	(22,338)
Closing Net book value	<u>30,295</u>	<u>4,580</u>	<u>9,297</u>	<u>44,172</u>
At 31 December 2014				
Cost	57,215	12,804	25,380	95,399
Accumulated depreciation	(26,920)	(8,224)	(16,083)	(51,227)
Net book value	<u>30,295</u>	<u>4,580</u>	<u>9,297</u>	<u>44,172</u>
Equivalent in KHR '000	<u>123,452</u>	<u>18,664</u>	<u>37,885</u>	<u>180,001</u>

CAMMA MICROFINANCE LIMITED

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

9. INTANGIBLE ASSETS

	Computer software US\$	Total US\$
As at 1 January 2013		
Cost	3,000	3,000
Accumulated Depreciation	(1,813)	(1,813)
Net book value	<u>1,187</u>	<u>1,187</u>
For year ended 31 December 2013		
Opening net book amount	1,187	1,187
Additions	1,035	1,035
Amortisation charge	(1,011)	(1,011)
Closing net book value	<u>1,211</u>	<u>1,211</u>
As at 31 December 2013		
Cost	4,035	4,035
Accumulated amortisation	(2,824)	(2,824)
Closing net book value	<u>1,211</u>	<u>1,211</u>
Equivalent in KHR '000	<u>4,838</u>	<u>4,838</u>
For the year ended 31 December 2014		
Opening net book amount	1,211	1,211
Additions	1,675	1,675
Amortisation charge	(1,203)	(1,203)
Closing net book value	<u>1,683</u>	<u>1,683</u>
As at 31 December 2014		
Cost	5,710	5,710
Accumulated amortisation	(4,027)	(4,027)
Closing net book value	<u>1,683</u>	<u>1,683</u>
Equivalent in KHR '000	<u>6,858</u>	<u>6,858</u>

CAMMA MICROFINANCE LIMITED

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

10. BORROWINGS

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
<i>Current</i>				
Individuals	1,291,534	5,263,001	1,177,000	4,702,115
	<u>1,291,534</u>	<u>5,263,001</u>	<u>1,177,000</u>	<u>4,702,115</u>
<i>Non-current</i>				
Banks	1,794,830	7,313,932	1,500,000	5,992,500
Individuals	570,000	2,322,750	510,000	2,037,450
	<u>2,364,830</u>	<u>9,636,682</u>	<u>2,010,000</u>	<u>8,029,950</u>
Total borrowings	<u>3,656,364</u>	<u>14,899,683</u>	<u>3,187,000</u>	<u>12,732,065</u>

The borrowing bears interest rate ranging from 6% to 10% per annum.

11. OTHER LIABILITIES

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Salaries and other benefits	28,744	117,132	1,026	4,099
Accrued Interest payable	21,967	89,516	19,775	79,001
Due to customers	5,985	24,389	4,761	19,020
Professional fees	3,190	12,999	2,915	11,645
Other tax payables	2,591	10,558	1,016	4,059
Deposits from others	1,670	6,805	2,100	8,390
Others	3,497	14,251	2,094	8,366
	<u>67,644</u>	<u>275,650</u>	<u>33,687</u>	<u>134,580</u>

12. CURRENT INCOME TAX LIABILITIES

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
At 1 January 2014	33,645	134,412	7,235	28,904
Income tax expense	58,012	236,399	39,637	158,350
Income tax paid	(42,082)	(171,484)	(13,227)	(52,842)
Translation differences	-	2,691	-	-
At 31 December 2014	<u>49,575</u>	<u>202,018</u>	<u>33,645</u>	<u>134,412</u>

CAMMA MICROFINANCE LIMITED

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

13. SHARE CAPITAL

	2014		2013	
	Number of share	Percentages	Number of share	Percentages
H.E Ou San	879,565	83.53%	7,100	83.53%
Madam Dith Nita	173,435	16.47%	1,400	16.47%
	<u>1,053,000</u>	<u>100%</u>	<u>8,500</u>	<u>100%</u>

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
H.E Ou San	879,565	3,584,227	710,000	2,836,450
Madam Dith Nita	173,435	706,748	140,000	559,300
	<u>1,053,000</u>	<u>4,290,975</u>	<u>850,000</u>	<u>3,395,750</u>

All shares are fully paid up, with a par value of US\$1 per share. The change of ownership and number of shares was reflected in the amended Memorandum and Articles of Association and then approved by Central Bank on 12 April 2012 and the Ministry of Commerce on 24 July 2012.

On 17 November 2014, the company got the letter approval from National Bank of Cambodia to transfers from retained earnings of US\$ 203,000 to share capital and increase number of share from 850,000 shares to 1,053,000 shares.

However the Company is still in process of revise Memorandum and Articles of Association which is required approval from National Bank of Cambodia and Ministry of Commerce.

14. INTEREST INCOME

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Interest income from:				
Loans to customers	872,235	3,554,358	640,003	2,556,812
Deposits with banks	1,147	4,674	798	3,188
	<u>873,382</u>	<u>3,559,032</u>	<u>640,801</u>	<u>2,560,000</u>

CAMMA MICROFINANCE LIMITED

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

15. INTEREST EXPENSE

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Interest expense on:				
Borrowings from banks	143,861	586,234	116,048	463,612
Borrowings from individuals	137,827	561,645	82,206	328,413
	<u>281,688</u>	<u>1,147,879</u>	<u>198,254</u>	<u>792,025</u>

16. OTHER OPERATING INCOME

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Penalty income	25,934	105,681	191	763
Rental income	20,819	84,837	12,945	51,715
Commission fees	3,872	15,778	5,072	20,263
Others	5,970	24,329	7,018	28,037
	<u>56,595</u>	<u>230,625</u>	<u>25,226</u>	<u>100,778</u>

17. PERSONNEL EXPENSES

	2014		2013	
	US\$	KHR' 000	US\$	KHR' 000
Salaries and bonuses	165,921	676,128	110,481	441,372
Training costs	2,752	11,214	360	1,438
Staff uniforms	2,571	10,477	776	3,100
Others	572	2,331	782	3,124
	<u>171,816</u>	<u>700,150</u>	<u>112,399</u>	<u>449,034</u>

CAMMA MICROFINANCE LIMITED

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

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2014		2013	
	US\$	KHR '000	US\$	KHR '000
Office rental	61,628	251,134	60,000	239,700
Travelling and vehicle expenses	17,898	72,934	7,926	31,664
Utilities	10,996	44,809	9,371	37,437
Fee & taxation	8,943	36,443	2,853	11,398
Office supplies and equipment	8,461	34,479	10,350	41,348
Security	7,942	32,364	9,360	37,393
Professional fees	6,960	28,362	6,685	26,707
Communication	2,901	11,822	2,584	10,323
Repairs and maintenance	2,467	10,053	2,622	10,475
Printing and copy expenses	2,049	8,350	1,256	5,018
Others	12,123	49,400	11,815	47,201
	142,368	580,150	124,822	498,664

19. INCOME TAX EXPENSE

	2014		2013	
	US\$	KHR' 000	US\$	KHR' 000
Profit before income tax	290,058	1,181,986	198,185	791,749
Income tax using statutory rate (20%)	58,012	236,399	39,637	158,350
	58,012	236,399	39,637	158,350

In accordance with Cambodian tax laws, the Company has an obligation to pay corporate income tax in the form of either Tax on Profit at the rate of 20% of taxable profit or 1% minimum tax, whichever is higher.

The Company's tax returns are subject to periodic examination by the General Department of Taxation. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the General Department of Taxation. The Directors believe that they have adequately provided for tax liabilities based on its interpretation of current tax legislation.

CAMMA MICROFINANCE LIMITED

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

20. CASH USED IN OPERATIONS

	2014		2013	
	US\$	KHR' 000	US\$	KHR' 000
Cash flows from operating activities				
Profit before income tax	290,058	1,181,986	198,185	791,749
<i>Adjustments for:</i>				
Depreciation and amortisation	23,541	95,930	21,518	85,964
Provision for bad and doubtful loans (Note 6(a))	20,506	83,562	10,849	43,341
Net interest income	(591,694)	(2,411,153)	(442,547)	(1,767,975)
	(257,589)	(1,049,675)	(211,995)	(846,921)
<i>Changes in working capital</i>				
Loans to customers	(1,185,620)	(4,831,402)	(1,104,802)	(4,413,684)
Other assets	1,128	4,597	2,312	9,236
Other liabilities	31,765	129,442	(603)	(2,409)
Cash used in operations	(1,410,316)	(5,747,038)	(1,315,088)	(5,253,778)

21. CASH AND CASH EQUIVALENTS

	2014		2013	
	US\$	KHR' 000	US\$	KHR' 000
Cash on hand	65,874	268,437	52,120	208,219
Balances with the Central Bank	238	970	218	870
Balances with banks	85,548	348,608	316,571	1,264,701
	151,660	618,015	368,909	1,473,790

22. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is owned by H.E Ou San and Madam Dith Nita which has 83.53% and 16.47% shares of the Company, respectively.

Significant transactions with related parties are as follows:

	2014		2013	
	US\$	KHR' 000	US\$	KHR' 000
Board of Directors' fee	110	448	330	1,318
Key management's remuneration	20,490	83,497	22,070	88,170

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT

The Company's activities may expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Company does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage its risk exposure.

23.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Company's credit committee.

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy, and credit approval processes and procedures implemented to ensure compliance with Central Bank's guidelines.

(a) Credit risk measurement

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

(b) Risk limit control and mitigation policies

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continue)

23.1 Credit risk (continue)

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186, dated 13 September 2002, on loan classification and provisioning. The Central Bank requires microfinance institutions to classify their loan portfolio into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral, as follows:

	<u>Percentage of provision</u>
Standard	0%
Substandard	10%
Doubtful	30%
Loss	100%

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

	<u>2014</u>		<u>2013</u>	
	<u>US\$</u>	<u>KHR' 000</u>	<u>US\$</u>	<u>KHR' 000</u>
<i>Credit exposures relating to on-balance sheet assets:</i>				
Balances with banks	85,548	348,608	516,571	2,063,701
Loans to customers	4,724,960	19,254,212	3,559,846	14,221,585
Other assets	78,061	318,099	71,444	285,417
	<u>4,888,569</u>	<u>19,920,919</u>	<u>4,147,861</u>	<u>16,570,703</u>

The above table represents a worst case scenario for credit risk exposure to the Company at 31 December 2014, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on net carrying amounts.

As shown above, 97% of total maximum exposure is derived from loans to customers (2013: 86%).

Management is confident in its ability to continue to control and sustain minimal credit risk exposure to the Company relating to its loans to customers on the following basis:

- 99% of the loans in the portfolio are considered to be neither past due nor impaired (2013: 99%); and
- The Company has introduced a more stringent selection and collection process for granting loans to customers.

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(e) Loans to customers

Loans to customers are summarised as follows:

	2014		2013	
	US\$	KHR' 000	US\$	KHR' 000
Loans to customers neither past due nor impaired	4,685,314	19,092,655	3,518,979	14,058,321
Loans to customers past due but not impaired	-	-	13,672	54,620
Loans to customers individually impaired	51,148	208,428	32,264	128,894
Gross amount	4,736,462	19,301,083	3,564,915	14,241,835
Less: Specific Provision for loan Loss	(11,502)	(46,871)	(5,069)	(20,250)
Net loans to customers	4,724,960	19,254,212	3,559,846	14,221,585

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirements. The total provision for bad and doubtful loans is US\$11,502 (2013 US\$5,069), which represents the specific provision required by the Central Bank.

(i) *Loans to customers neither past due nor impaired*

Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.

Most of the customers' collateral is in the form of land or house title receipts (which are not official land title deeds), as the Company generally issues loans to small entrepreneurs. The Company does not perform a revaluation of collateral either internally or externally. Since no legal official land title deeds have been obtained, no values have been ascribed to the collateral. Under the Central Bank's regulations, the value of collateral is not taken into account when determining the impairment of loans to customers.

(ii) *Loans to customers renegotiated*

There were no renegotiated loans to customers at 31 December 2014.

(iii) *Repossessed collateral*

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

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Company does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

The Company operates in Cambodia and transacts in US\$ only, and is not exposed to foreign currency risk.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

(ii) Price risk

The Company is not exposed to a securities price risk because it does not have any investment held and classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company does not currently have a policy to manage its price risk.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The Company at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, management regularly monitors the mismatch.

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Market risk (continued)

(iii) Interest rate risk (continued)

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at the gross carrying amounts less impairment, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
As at 31 December 2014							
Financial assets							
Cash on hand	-	-	-	-	-	65,874	65,874
Balances with the Central Bank	-	-	-	-	-	238	238
Balances with banks	85,548	-	-	-	-	-	85,548
Loans to customers	158,938	304,318	1,278,983	2,982,328	393	-	4,724,960
Other assets	-	-	-	-	-	78,061	78,061
Total financial assets	244,486	304,318	1,278,983	2,982,328	393	144,173	4,954,681
<i>Equivalent in KHR' 000</i>	<u>996,280</u>	<u>1,240,096</u>	<u>5,211,856</u>	<u>12,152,987</u>	<u>1,601</u>	<u>587,505</u>	<u>20,190,325</u>
Financial liabilities							
Borrowings	161,256	132,737	1,107,672	2,204,699	-	-	3,606,364
Other liabilities	-	-	-	-	-	56,960	56,960
Total financial liabilities	161,256	132,737	1,107,672	2,204,699	-	56,960	3,663,324
<i>Equivalent in KHR' 000</i>	<u>657,118</u>	<u>540,903</u>	<u>4,513,763</u>	<u>8,984,148</u>	<u>-</u>	<u>232,112</u>	<u>14,928,045</u>
Total interest repricing gap	83,230	171,581	171,311	777,629	393	87,213	1,291,357
<i>Equivalent in KHR' 000</i>	<u>339,162</u>	<u>699,193</u>	<u>698,092</u>	<u>3,168,838</u>	<u>1,601</u>	<u>355,393</u>	<u>5,262,280</u>

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
As at 31 December 2013							
Financial assets							
Cash on hand	-	-	-	-	-	52,120	52,120
Balances with the Central Bank	-	-	-	-	42,500	218	42,718
Balances with banks	166,571	150,000	200,000	-	-	-	516,571
Loans to customers (*)	119	2,933	134,105	3,427,758	-	-	3,564,915
Other assets	-	-	-	-	-	68,587	68,587
Total financial assets	166,690	152,933	334,105	3,427,758	42,500	120,925	4,244,911
<i>Equivalent in KHR' 000</i>	<i>665,927</i>	<i>610,967</i>	<i>1,334,749</i>	<i>13,693,893</i>	<i>169,788</i>	<i>483,095</i>	<i>16,958,419</i>
Financial liabilities							
Borrowings	(50,000)	(510,000)	(947,000)	(1,680,000)	-	-	(3,187,000)
Other liabilities	-	-	-	-	-	(29,849)	(29,849)
Total financial liabilities	(50,000)	(510,000)	(947,000)	(1,680,000)	-	(29,849)	(3,216,849)
<i>Equivalent in KHR' 000</i>	<i>(199,750)</i>	<i>(2,037,450)</i>	<i>(3,783,265)</i>	<i>(6,711,600)</i>	<i>-</i>	<i>(119,247)</i>	<i>(12,851,312)</i>
Total interest repricing gap	216,690	662,933	1,281,105	5,107,758	42,500	150,774	7,461,760
<i>Equivalent in KHR' 000</i>	<i>865,677</i>	<i>2,648,417</i>	<i>5,118,014</i>	<i>20,405,493</i>	<i>169,788</i>	<i>602,342</i>	<i>29,809,731</i>

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity risk management process

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(b) Funding approach

The Company's main sources of liquidity arise from the shareholders' paid-up capital and borrowings. The sources of liquidity are reviewed regularly through management's review of the maturity of borrowings.

(c) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on the expected undiscounted cash flows.

	Less than 1 month US\$	1 – 3 months US\$	3 - 12 months US\$	1to 5 years US\$	Over 5 years US\$	No fixed Maturity date US\$	Total US\$
As at 31 December 2014							
Liabilities							
Borrowings	184,993	178,783	1,281,813	2,405,475	-	-	4,051,064
Other Liabilities	100,281	-	6,679	-	-	-	106,960
Total financial liabilities							
(contractual maturing dates)	<u>285,274</u>	<u>178,783</u>	<u>1,288,492</u>	<u>2,405,475</u>	<u>-</u>	<u>-</u>	<u>4,158,024</u>
As at 31 December 2013							
Liabilities							
Borrowings	73,112	550,463	1,104,963	1,834,791	-	-	3,563,329
Other liabilities	24,834	-	5,015	-	-	-	29,849
Total financial liabilities							
(contractual maturing dates)	<u>97,946</u>	<u>550,463</u>	<u>1,109,978</u>	<u>1,834,791</u>	<u>-</u>	<u>-</u>	<u>3,593,178</u>

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

(d) Off-balance sheet items - Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under contractual operating leases are as disclosed in Note 23.

23.4 Fair value of financial assets and liabilities

As at the balance sheet date, the fair values of financial instruments of the Company approximate their carrying amounts.

The estimated fair values are based on the following methodologies and assumptions.

i. Balances with banks

Fair value of balance with banks is approximate the carrying amount.

ii. Loans to customers

Loans to customers are net of provision for doubtful and bad loans and their carrying value approximates fair value. The provision for doubtful and bad loans is made under the requirements of the Central Bank's Prakas.

iii. Borrowings

The fair value of borrowings approximates the carrying amount.

iv. Other assets

The carrying amounts of other assets and liabilities are assumed to approximate their fair values as these are not materially sensitive to the shift in market interest. Except for rental deposit, its carrying value is significant different from its fair value. Rental deposit is expected to receive in cash on 31 October 2022. Fair value of the refundable deposits is calculated using the interest rate of 10% based on its borrowing obtained from a specialised bank to finance this deposit.

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
	US\$	US\$	US\$	US\$
Refundable deposits	32,075	14,963	32,075	13,603

CAMMA MICROFINANCE LIMITED

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

23. FINANCIAL RISK MANAGEMENT (continued)

23.5 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The Central Bank requires all licensed microfinance institutions to i) fulfil the minimum capital requirements, and ii) comply with solvency, liquidity and other requirements.

The table below summarises the composition of regulatory capital:

	2014		2013	
	US\$	KHR' 000	US\$	KHR' 000
Tier 1 (core capital)				
Share capital	1,053,000	4,290,975	850,000	3,395,750
Retained earnings	232,784	948,595	203,738	813,933
Total regulatory capital	<u>1,285,784</u>	<u>5,239,570</u>	<u>1,053,738</u>	<u>4,209,683</u>

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

**APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2014****1. CAPITAL ADEQUACY RATIO (SOLVENCY RATIO), Prakas No. B7-07-133**

A licensed microfinance institution shall at all times maintain a solvency ratio of more than 15%. As at 31 December 2014, the capital adequacy ratio of the Company was 26.02%.

The capital adequacy ratio calculation is detailed in Schedule 1.

2. LIQUIDITY RATIO, Prakas No. B7-02-48

A licensed micro-finance institution shall at all times maintain a liquidity ratio of more than 100%. As at 31 December 2014, the Company's liquidity ratio was not applicable due nil deposits.

The liquidity ratio calculation is detailed in Schedule 2.

3. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No. B7-07-134

A licensed microfinance institution shall at all times maintain a net open position in foreign currencies in either any foreign currency or an overall net open position in all foreign currencies, whether long or short, which shall not exceed 20% of the Company's net worth. As at 31 December 2014, the Company is compliance with this Prakas, as there is no other currency beside US\$.

The net open position calculation is detailed in Schedule 3.

4. RESERVE REQUIREMENT, Prakas No. B7-07-163

A licensed micro-finance institution shall deposit 5% of its deposits into an account maintained with the Central Bank. As at 31 December 2014, the reserve requirement is nil as the Company does not have deposits.

**APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS
FOR THE YEAR ENDING 31 DECEMBER 2014****5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO,
Prakas No. B7-02-186**

Licensed microfinance institutions shall classify their loan portfolios into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

Loan term of one year or less than one year

- **Standard:** good financial condition and punctual payment of principal and interest
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more
- **Doubtful:** some payments of principal and/or interest are overdue by 60 days or more
- **Loss:** some payments of principal and/or interest are overdue by 90 days or more

Loan term of more than one year

- **Standard:** good financial condition and punctual payment of principal and interest
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more
- **Doubtful:** some payments of principal and/or interest are overdue by 180 days or more
- **Loss:** some payments of principal and/or interest are overdue by 360 days or more

Mandatory provisions on the loans are classified as follows:

- **Sub-standard** : 10% regardless of the collateral value except cash
- **Doubtful** : 30% regardless of the collateral value except cash
- **Loss** : 100%

As at 31 December 2014, specific provision has been provided which is in compliance with the Central Bank's Prakas.

Loan classification, provision and delinquency ratio calculation are detailed in Schedule 4.

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2014

	<u>US\$</u>
I- Sub-total A: Items to be added	
- Capital or endowment	1,053,000
- Reserve, other than revaluation reserves	-
- Premium related to capital (share premium)	-
- Provision for general banking risks, with the prior agreement of the Central Bank	-
- Retained earnings	738
- Audited net profit for the latest financial period	232,046
- Other items approved by the Central Bank	-
	<u>1,285,784</u>
II- Sub-total B: Items to be deducted	
- For shareholders, directors, managers and their next of kin	-
> Unpaid portion of capital	-
> Advances, loans, security and the agreement of the persons concerned as defined above	-
- Holding of own shares at their book value	-
- Accumulated losses	-
- Formation expenses	-
- Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	-
	<u>-</u>
III- Total C: BASE NET WORTH = A – B	<u>1,285,784</u>
IV- Sub-total D: Items to be added	
- Revaluation reserves, with the prior agreement of the Central Bank	-
- Subordinated debt, with the prior agreement of the Central Bank, up to 100% of base net worth	-
- Other items, with the prior agreement of the Central Bank, could be included in the calculation of net worth and shall not be more than the base net worth	-
	<u>-</u>
	<u>-</u>
V- Sub-total E: Items to be deducted	
- Equity participation in banking and financial institutions	-
- Other items	-
	<u>-</u>
	<u>-</u>
VI- Total F: TOTAL NET WORTH = C + D – E	<u>1,285,784</u>

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2014

US\$

I- Numerator (A)

Net worth 1,285,784

II- Denominator (B)

Assets (*)	US\$ Weighting		
- Cash	65,874	0%	
- Gold	-	0%	
- Claims on the NBC	52,888	0%	
- Assets collateralised by deposits	-	0%	
- Claims on sovereigns rated AAA to AA-	-	0%	
- Claims on sovereigns rated A+ to A-	-	20%	
- Claims on banks rated AAA to AA-	-	20%	
- Claims on sovereigns rated BBB to BBB-	-	50%	
- Claims on banks rated A+ to A-	-	50%	
- All other assets	<u>4,940,605</u>	100%	<u>4,940,605</u>
	5,059,367		4,940,605

III- Solvency ratio (A/B)

26,02%

(*): The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2014

	<u>US\$</u>		
1- Numerator: Liquid assets (A)			
- Cash on hand	65,874		
- Balances with the Central Bank (excluding capital guarantee)	238		
- Balances with banks	<u>85,548</u>		
Sub-Total	<u>151,660</u>		
Less:			
- Amount owed to the Central Bank	-		
- Amount owed to banks	<u>-</u>		
Sub-total	<u>-</u>		
Net liquidity	<u>151,660</u>		
Plus:			
- Portion of loans outstanding maturing in less than one month	<u>163,240</u>		
Liquid assets	<u>314,900</u>		
2- Denominator: Adjusted amount of deposits (B)			
Category of deposits		US\$	%
- Voluntary savings		<u>-</u>	
LIQUIDITY RATIO (A/B)		<u></u>	

**SCHEDULE 3
NET OPEN POSITION IN FOREIGN CURRENCY AS AT 31 DECEMBER 2014**

Currency	Assets US\$	Liabilities and capital US\$	Net open position (NOP) US\$	NOP/ Net worth %	Limit %
US\$	5,059,367	5,059,367	-	0.00%	20%
Total	5,059,367	5,059,367	-		
Net worth			<u>1,286,590</u>		

SCHEDULE 4
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2014

Loan classification	Amount US\$	Rate %	Mandatory Provision US\$
1-Loans of one year or less			
1-1 Standard	44,651	0%	-
1-2 Substandard past due ≥ 30 days	-	10%	-
1-3 Doubtful past due ≥ 60 days	-	30%	-
1-4 Loss past due ≥ 90 days	-	100%	-
Sub-total 1	<u>44,651</u>		<u>-</u>
2-Loans of more than one year			
2-1 Standard	4,640,663	0%	-
2-2 Substandard past due ≥ 30 days	21,721	10%	2,172
2-3 Doubtful past due ≥ 180 days	28,710	30%	8,613
2-4 Loss past due ≥ 360 days	717	100%	717
Sub-total 2	<u>4,691,811</u>		<u>11,502</u>
Grand total 1+2	<u>4,736,462</u>		<u>11,502</u>
All loans past due > 30 days (A)			51,148
Loans outstanding (B)			<u>4,736,462</u>
Delinquency ratio (A/B)			<u>1.08%</u>