

CAMMA MICROFINANCE LIMITED

ខេមបូឌីក្រូហ៊ីរញ្ញវត្ថុ លីមីតធីត



ANNUAL

REPORT 2011

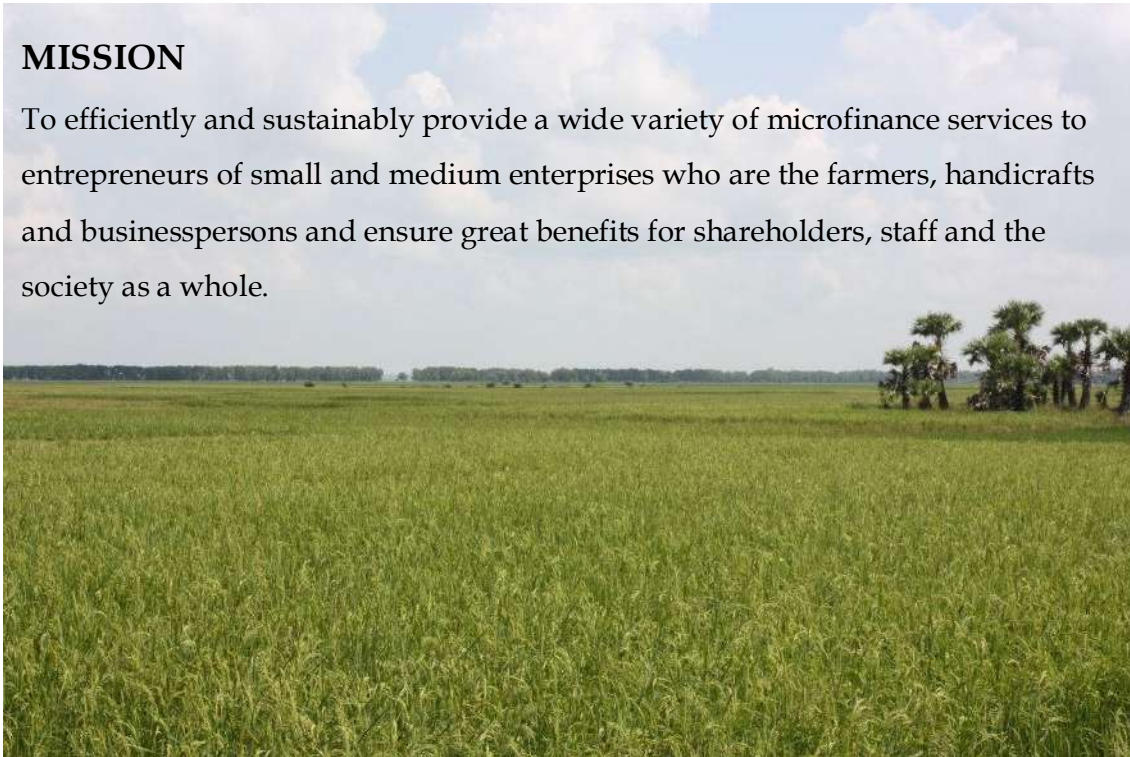
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**VISION**

Become a reliable microfinance institution which provides the Cambodian people with opportunities to improve their livelihoods through accessing the loans from Camma Microfinance Limited.



**MISSION**

To efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are the farmers, handicrafts and businesspersons and ensure great benefits for shareholders, staff and the society as a whole.

## SERVICE

CAMMA offers loan service in which it could divide into the following categories:

1. Guarantying group loan: is a loan that granted to the group of clients who has a member of 3 to 5 members. Client can borrow up to 1,000,000Riel for 12months with the interest rate of 3% to 3.5%.
2. Individual loan: is a loan that granted to clients for private used or expands their business or establish new business. Clients can borrow up to 10,000 USD for a period of 6months to 36months with the interest rate of 1.8% to 2.5%.



## CLIENTS

There are two types of clients:

Clients who are farmer and fisher



Clients who are entrepreneur or the owner of small business



## **MESSAGE FROM CHAIRMAN OF THE BOARD**

On behalf of board of directors, management and all staff member of CAMMA, I am pleased to present the state of Cambodian economy, bank and microfinance sector and the annual report of CAMMA in year 2011.

Cambodia economy grew about 6.9%. Some sectors such as agriculture increased 1.4% while service sector increased 5% and industrial sector increased 14.1% in which textile make up to 21%. The increase of national economy make the investor in both inside and outside the country confident to invest in Cambodia and lead to the growth and strengthen the banking and microfinance sector. In year 2011, three international banks such as ICBC, Mega International Commercial Bank of Taiwan and MB bank of Vietnam have opened their branch in Cambodia. In present, Cambodia has 31 commercial banks, 7 specialize bank and 32 license microfinance institutes in which 7 of them have received deposit license.

The large numbers of microfinance institutes make CAMMA, which is a new microfinance face with competition. However, this is not a problem for CAMMA. We are success by expanding our operation area wider than last year. Our staffs clearly understand the need of our client and play a role as a consultant to provide source of finance for their business rather than a lender that does not concern about the difficulty of clients. All of these show us the aspiration of our staffs who determined to serve the client.

On the road with this good service, our management is studying and developing new product to fit our client need and to compete to expand the market. This new product will be on the market in 2012 and we expect to receive a magnificent result.

Finally, I would like to thank to staffs and management of CAMMA who commit to work for the growth of our institute and clients. At the same time, I also would like to thanks to our client, all level of related authority for the support and corporate.

Sincerely yours,

Chairman of the board



Mr. Benson Samay

## MESSAGE FROM CEO

In 2011, Cambodia was affected by flood. 18 provinces, 122 districts, 687 communes were damaged. Social sector, agriculture and infrastructure were impacted. Most of house, school, health center and pagoda were impaired. Rice field about 60% was destructed and 1675 livestock was death. Road, bridge and irrigation system was dramatically damage which required the government to repair immediately after the flood.

Microfinance sector, which is a key sector to reduce poverty, has helped the flood victim through donation that form by the Cambodia Microfinance Association. In addition, National Bank of Cambodia has published letter number ៨៧.០១១.៩៩៩ ល.ស for all microfinance institutes to evaluate and forecast the impact of flooding on their clients. As a result, small amount of microfinance sector's clients was affected and some institutes that are a member of Cambodia Microfinance Association have helped their clients who are a victim of flooding by reduced the interest rate to zero rate and did not seize their property in the event of fail to payback.

CAMMA Microfinance Limited does not have clients who effect by flooding. In 2011, CAMMA has operated with a great passion and aspiration to provide loan to poor people and has received a noticeable result.

CAMMA has expanded its operation to 62 villages, 41 communes, 16 districts in Phnom Penh, Kandal and KompongSpe. It has active clients of 205 which is consisted of men 54% and women 45%. Loan outstanding is 571,237 dollar US. As expected, at the end of 2011, it has profit after tax of 3,202.73 dollar US. Although this is a small profit, it shows the effectively of CAMMA's operation during the 17month of our beginning. This success is a result of commitment of its staffs, management, and the strength of its policy, loan procedure, flexibility of interest rate and duration of loan and good service.

Look at the coming year 2012, CAMMA is optimistic that we would receive a wonderful result than 2011 by continuing strengthen the quality of loan, expand it operation area, training our staff, developed new goods and service as well as modify the existing product to satisfy the need of our client, developed IT system for the smooth and efficient operation. In addition, the use of Cambodian Credit Bureau would provide a great benefit for CAMMA as well as the whole microfinance sector.

At last, I would like to take this opportunity to thank to staffs of CAMMA for the loyalty and commitment that allow CAMMA to walk forward to compete with other institutions. I also thanks to shareholder, board of directors, lender, National Bank of Cambodia and all level of authority and our clients for the comment, support, understanding, cooperation and for the use of our goods and service. I would like to wish all of you to be healthy and prosperity for the coming New Year.

Yours faithfully

CEO

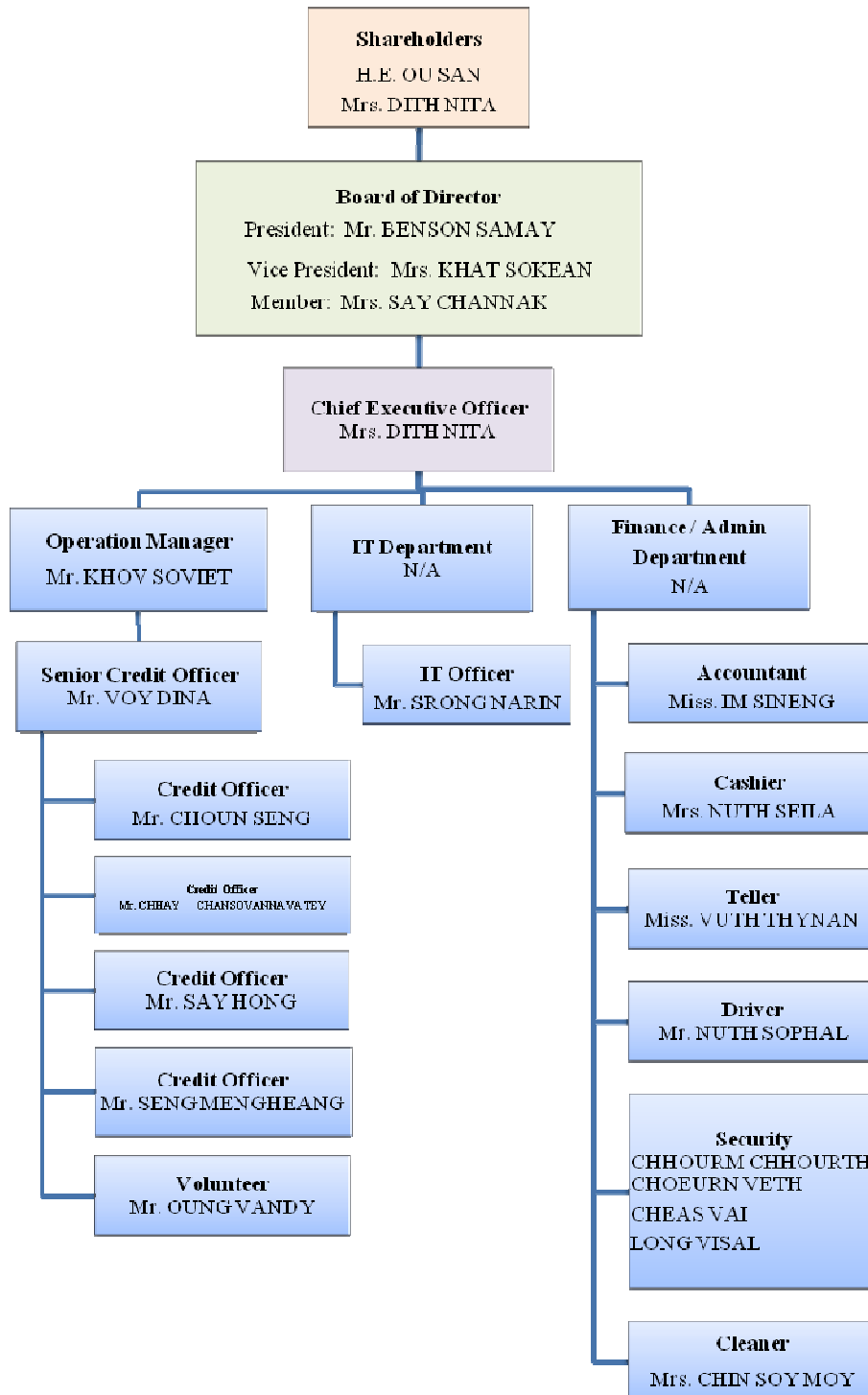


Dith Nita



# OWNERSHIP AND GOVERNANCE

## Organizational Structure



## Shareholders

As of the end of 2011, CAMMA has the total capital of USD350,000 and comprises 2 shareholders, LokChomteav OU San and Mrs. DITH Nita.

Shareholders	Investment in USD	Percentage of Capital
H.E. OU San	210,000	60%
Mrs. DITH Nita	140,000	40%
Total	350,000	100%

## Board of Directors and the Management

**H.E. BENSON Samay**, President of Board of Directors

**Mrs. KHAT Sokean**, Vice-President of Board of Directors

**Mrs. SAY Channak**, Member of Board of Directors

**Mrs. DITH Nita**, Chief Executive Officer

**Mr. KHOV Soviet**, Operation Manager

## **REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors (“the Directors”) hereby submit their report along with the audited financial statements of CAMMA Microfinance Limited (the “Company”) for the reporting period from 01 August 2010 to 31 December 2011.

## **PRINCIPAL ACTIVITIES**

The Company is principally engaged in the provisions of micro-finance services to rural population of Cambodia. Those services comprise granting credit for poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

## **RESULTS OF OPERATIONS**

The results of operations for the reporting period from 01 August 2010 to 31 December 2011 are set out in the statement of income on page 8.

## **DIVIDENDS**

There were no dividends declared or paid during the financial reporting period.

## **SHARE CAPITAL**

The Company’s first registered share capital was USD 200,000 which had been fully paid in 2010. There were changes in the issued and paid-up capital of the Company from USD 200,000 to USD 350,000 in December 2010. The change in paid-up capital and an amended Memorandum and Articles of Association have been approved by the National Bank of Cambodia on 28 December 2010.

## **RESERVES AND PROVISIONS**

There were no material movements to or from reserves and provisions during the financial reporting period.

## **BAD AND DOUBTFUL LOANS**

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and making of provisions for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provisions have been made for bad and doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount carried as bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any material amount.

## **CURRENT ASSETS**

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

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

## **VALUATION METHODS**

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

## **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 reporting period 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 reporting period other than in the ordinary course of business and disclosed in the financial statements.

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 reporting period which, in the opinion of the 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 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 results of the operations of the Company for the reporting period from 01 August 2010 to 31 December 2011 were not, in the opinion of the Directors, materially 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 reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Company for the current financial reporting period in which this report is made.

## **THE BOARD OF DIRECTORS**

The members of the Board of Directors holding office during the reporting period and as at the date of this report are as follows:

Mr. Benson Samay	President (Non-executive director)
Ms. Khat Sokean	Deputy President (Non-executive director)
Ms. Say Channak	Member (Non-executive director)

## **DIRECTORS' INTERESTS**

None of the Directors held or dealt with the shares of the Company.

## **DIRECTORS' BENEFITS**

During and at the end of the financial reporting period, no arrangements subsisted to which the Company was a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed in the financial statements.

Since the beginning of the financial reporting period, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors) by reason of a contract made by the Company with the Directors or 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.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Directors is responsible to ensure that the financial statements are properly drawn up so as to give a true and fair view of the state of affairs of the Company and of its results of operations and cash flows for the reporting period then ended. In preparing these financial statements, the Board of Directors are 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 and the guidelines issued by the National Bank of Cambodia and the Ministry of Finance of the Kingdom of Cambodia or, if there has been any departures in the interests of true and fair presentation, this has 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) effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (continued)**

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

**STATEMENT BY DIRECTORS**

We, the Directors of CAMMA Microfinance Limited (the "Company") do hereby state that in our opinion:

- i) The results of the operations of the Company for the financial reporting period from 01 August 2010 to 31 December 2011 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the financial reporting period and the date of this report other than as disclosed in the financial statements, and
- ii) The accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2011 and of the results of its operations and cash flows for the reporting period ended on that date, in accordance with the guidelines of the National Bank of Cambodia and Cambodian Accounting Standards.

Signed on behalf of the Board by:



Mr. Benson Samay  
President

Date: 18 April 2012



Ms. Dith Nita  
CEO

Date: 18 April 2012

## **REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF CAMMA MICROFINANCE LIMITED**

We have audited the accompanying financial statements of CAMMA Microfinance Limited (the “Company”), which comprise the balance sheet for the reporting period from 01 August 2010 to 31 December 2011, and the related statements of income, changes in equity, and cash flows for the reporting period then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management’s responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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 and the requirements of the National Bank of Cambodia (“NBC”). Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors’ 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, the auditors consider internal control relevant to the Company’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 Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

(Continued)

**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF CAMMA MICROFINANCE LIMITED (continued)**

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Company for the reporting period from 01 August 2010 to 31 December 2011 and of the results of its operations and cash flows for the reporting period then ended, in accordance with the NBC's guidelines and Cambodian Accounting Standards.

The accompanying financial statements are prepared for jurisdiction of Cambodia and the guidelines issued by the National Bank of Cambodia. It is not intended to present the financial position and results to operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdiction other than Cambodia.

**Morison Kak & Associés**  
Certified Public Accountants  
Registered Auditors



Key KAK  
Managing Partner

Date: 18 April 2012



**CAMMA MICROFINANCE LIMITED**

**BALANCE SHEET  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

	Note	31-Dec-11		01-Aug-10 to 31-Dec-10
		USD	KHR'000	USD
<b>ASSETS</b>				
Cash in hand	4	13,170	53,194	697
Deposits and placements with banks	5	22,490	90,837	146,734
Statutory deposits with central bank	6	17,500	70,683	17,500
Loans and advances to customers - net	7	566,599	2,288,493	140,332
Other assets	8	10,386	41,949	7,363
Intangible assets	9	1,937	7,824	2,687
Property and equipment	10	7,356	29,710	8,779
<b>TOTAL ASSETS</b>		<b>639,438</b>	<b>2,582,690</b>	<b>324,092</b>
<b>LIABILITIES AND CAPITAL</b>				
<b>LIABILITIES</b>				
Provision for income tax	11	125	505	12
Other liabilities	12	12,071	48,755	41
Borrowings	13	300,000	1,211,700	-
<b>TOTAL LIABILITIES</b>		<b>312,196</b>	<b>1,260,960</b>	<b>53</b>
<b>CAPITAL AND RESERVES</b>				
Share capital	14	350,000	1,413,650	350,000
Retained earnings		(22,758)	(91,920)	(25,961)
<b>TOTAL CAPITAL AND RESERVES</b>		<b>327,242</b>	<b>1,321,730</b>	<b>324,039</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>639,438</b>	<b>2,582,690</b>	<b>324,092</b>

Signed and authorised for release on behalf of the Board of Directors



Mr. Benson Samay  
President

Date: 18 April 2012



Ms. Dith Nita  
CEO

Date: 18 April 2012

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

**CAMMA MICROFINANCE LIMITED**

**STATEMENT OF INCOME  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

	Note	31-Dec-11 USD	KHR'000	01-Aug-10 to 31-Dec-10 USD
Interest income	15	95,499	385,720	5,045
Interest expense	16	(14,682)	(59,302)	-
<b>Net interest income</b>		<b>80,817</b>	<b>326,418</b>	<b>5,045</b>
Other operating income	17	4,430	17,893	256
Personnel cost	18	(35,395)	(142,959)	(10,159)
Operating and other expenses	19	(37,133)	(149,980)	(19,672)
Depreciation and amortisation cost		(3,866)	(15,615)	(1,396)
<b>Operating profit/(loss)</b>		<b>8,853</b>	<b>35,757</b>	<b>(25,926)</b>
Allowances for doubtful loans and advances	7	(4,638)	(18,733)	-
<b>Profit/(loss) before income tax</b>		<b>4,215</b>	<b>17,024</b>	<b>(25,926)</b>
Income tax expense	20	(1,012)	(4,087)	(35)
<b>Net profit/(loss) for the year</b>		<b>3,203</b>	<b>12,937</b>	<b>(25,961)</b>

Signed and authorised for release on behalf of the Board of Directors



Mr. Benson Samay  
President

Date: 18 April 2012



Ms. Dith Nita  
CEO

Date: 18 April 2012

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

**CAMMA MICROFINANCE LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

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	Share Capital USD	Retained earnings USD	Total USD
Opening balance	350,000	-	350,000
Net loss for the year	-	(25,961)	(25,961)
<b>Balance as at 31 December 2010</b>	<b><u>350,000</u></b>	<b><u>(25,961)</u></b>	<b><u>324,039</u></b>
Balance as at 1 January 2011	350,000	(25,961)	324,039
Net profit for the year	-	3,203	3,203
<b>Balance as at 31 December 2011</b>	<b><u>350,000</u></b>	<b><u>(22,758)</u></b>	<b><u>327,242</u></b>
<i>Balance as at 31 December 2011 (KHR'000 equivalents)</i>	<i><u>1,413,650</u></i>	<i><u>(91,920)</u></i>	<i><u>1,321,730</u></i>

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

**CAMMA MICROFINANCE LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax	4,215	17,024	(25,926)
<i>Adjustments for:</i>			
Depreciation and amortisation expenses	3,866	15,615	1,396
Allowance for doubtful loans and advances	4,638	18,733	-
Operating profit/(loss) before changes in working capital	12,719	51,372	(24,530)
Changes in operating assets and liabilities:			
Statutory deposits with central bank	-	-	(17,500)
Loans and advances to customers	(430,905)	(1,740,425)	(140,332)
Other assets	(3,023)	(12,210)	(7,363)
Other liabilities	12,030	48,589	41
Cash used in operations	(409,179)	(1,652,674)	(189,684)
Income tax paid	(899)	(3,631)	(23)
<b>Net cash used in operating activities</b>	<b>(410,078)</b>	<b>(1,656,305)</b>	<b>(189,707)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment and software	(1,693)	(6,838)	(12,862)
<b>Net cash used in investing activities</b>	<b>(1,693)</b>	<b>(6,838)</b>	<b>(12,862)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	-	-	350,000
Proceeds from borrowings	350,000	1,413,650	-
Repayment of borrowings	(50,000)	(201,950)	-
<b>Net cash generated from financing activities</b>	<b>300,000</b>	<b>1,211,700</b>	<b>350,000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(111,771)</b>	<b>(451,443)</b>	<b>147,431</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>147,431</b>	<b>595,474</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b>35,660</b>	<b>144,031</b>	<b>147,431</b>
<i>Represented by:</i>			
Cash in hand	13,170	53,194	697
Deposits and placements with banks	22,490	90,837	146,734
	<b>35,660</b>	<b>144,031</b>	<b>147,431</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

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**1. General information**

CAMMA Microfinance Limited (“the Company”) was incorporated in Cambodia and registered with the Ministry of Commerce on 06 April 2010 under Registration No. Co. 0700 KH/2010. On 29 July 2010, the Company obtained a license from the National Bank of Cambodia (“NBC”) to provide micro-finance services to the economically active poor population of Cambodia.

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 mission 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 and ensure great benefits for shareholders, staff and the society as a whole.

The Company’s registered office is located at No.49, Sreet 294, Sangkat Boeng Keng Kang I, Khan Chamcarmon, Phnom Penh.

As at 31 December 2011, the Company employed 21 employees including three Board members (31 December 2010: 14 employees including three Board members).

**2. Basis of preparation**

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the NBC, Cambodian Accounting Standards and practice within the micro-finance industry. Those principles require that financial instruments be carried at cost less provision for impairment. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The presentation of financial statements in conformity with Cambodian Accounting Standards as modified by NBC guidelines requires Management to make the best estimates and assumptions that affect the amount reported in financial statements and accompanying notes. The estimates have been made based on existing available information and Management’s judgment. Due to the fact that an active market does not exist for a significant portion of the Company’s assets and liabilities, it is possible that actual results could differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practice in other countries and those who are not informed about Cambodia’s procedures and practices.

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts essentially in US Dollar (“USD”) and maintains its books of accounts primarily in USD, the Management has determined the USD to be the Company’s measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

**2. Basis of preparation (continued)**

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 4,039 KHR (31 December 2010: KHR 4,053). The purposes of such conversions are to comply with NBC’s financial statements presentation guidelines only and should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into USD at this or any other rate of exchange.

**3. Significant accounting policies**

**(a) Transactions in foreign currencies**

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported on a net basis in the statement of income.

**(b) Segment information**

The Company operates within one business segment which is micro finance operation, and within one geographical segment, the Kingdom of Cambodia.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank balances and short-term funds which are convertible in cash within one month.

**(e) Statutory deposits with central bank**

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Company’s day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

**(f) Loans and advances to customers**

Loans originated by the Company by providing money directly to the borrowers at draw down are categorised as loans and advances and are carried at cost, less allowances for impairment. Interest in suspense represents interest accrued on loan receivables that are doubtful or bad.

**(g) Allowances for loan impairment**

Allowances for loan impairment are based on the latest NBC guidelines and are made with regard to specific risks on loans individually reviewed and classified as normal, special mention, substandard, doubtful and loss regardless of the assets (except cash) lodged as collateral.

**3. Significant accounting policies (continued)**

**(g) Allowances for loan impairment (continued)**

NBC guidelines require the following loan classification and minimum level of allowances:

Classification	Overdue	Rate of provision
Substandard	- More than thirty days	10%
Doubtful	- 60 days and more (original term of up to one year) - 180 days or more (original term of more than one year)	30%
Loss	- 90 days and more (original term of up to one year) - 360 days or more (original term of more than one year)	100%

Exception on the above provision rate may be considered but this is conditional on the actual market value of the collateral having been deemed acceptable by the NBC on a case-by-case basis.

In accordance with NBC guidelines, overdue loans are defined as the total outstanding principal where the principal or interest is past due.

**(h) Borrowings**

Borrowings are stated at cost.

**(i) Recognition of interest income and expense**

Interest earned on loans and advances to customers and from deposits and placements with bank are recognised on an accrual basis.

Interest expenses on borrowings are recognised on an accrual basis.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customer's loan accounts are classified as non-performing where repayments are in arrears for thirty days and more.

**(j) Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

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**3. Significant accounting policies (continued)****(j) Property and equipment (continued)**

Depreciation is calculated over the estimated useful lives of the assets at the following rates per annum:

Category	Method	Percentage
Computer and IT equipment	Straight line	20% - 50%
Office equipment and furniture	Straight line	25% - 100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statement of income.

**(k) Intangible assets**

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. 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 using the straight-line method at the rate of 25% per annum.

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

**(l) 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. 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.

Any impairment loss is charged to income statement in the period in which it arises. Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.



**3. Significant accounting policies (continued)**

**(m) Other 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 embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

**(n) Income tax**

Income tax expense on the profit or loss for the financial year comprises current and deferred tax. Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial results for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

**(n.1) Current income tax**

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

**(n.2) Deferred income tax**

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 rate 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 asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(o) Operating leases**

Payments made under operating leases are charged against income in equal instalments over the period of the lease.

**(p) Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Under the LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Company.

## CAMMA MICROFINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011

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#### 4. Cash in hand

Cash in hand is held in US Dollar.

#### 5. Deposits and placements with banks

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Current account:			
National Bank of Cambodia	128	517	142,600
Rural Development Bank	95	384	-
ANZ Royal Bank	21,072	85,109	1,034
	<u>21,295</u>	<u>86,010</u>	<u>143,634</u>
Term deposit with ANZ Royal Bank	1,195	4,827	3,100
	<u>1,195</u>	<u>4,827</u>	<u>3,100</u>
	<b><u>22,490</u></b>	<b><u>90,837</u></b>	<b><u>146,734</u></b>

All the above deposits are in US Dollar and will mature within one month.

The above deposits earn interest at the following rates per annum:

	31-Dec-11	01-Aug-10 to 31-Dec-10
	%	%
Current accounts	0.4%	0.4%
Term deposit account	0.75%	0.75%

#### 6. Statutory deposits with central bank

Statutory deposit on capital represents a five percent interest-bearing statutory deposit on capital to comply with NBC's *Prakas* No.B 7-00-06 dated 11 January 2000 amended by *Prakas* No. B 7-06-209 dated 13 September 2006. The deposit is refundable when the Company voluntarily liquidates its activities and has no deposits liabilities.

This statutory deposit is interest bearing at ½ of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**7. Loans and advances to customers**

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Individuals	571,237	2,307,226	140,332
Group	-	-	-
	571,237	2,307,226	140,332
Allowances for impairment losses (*)	(4,638)	(18,733)	-
	566,599	2,288,493	140,332

(\*) Movements on allowances for impairment losses are as follows:

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
At beginning of year	-	-	-
(Recovery)/addition during the year	4,638	18,733	-
Write-off during the year	-	-	-
At end of year	4,638	18,733	-

Further classification is as follows:

(a) By performance	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Standard loans:			
- Secured	533,062	2,153,037	140,332
- Unsecured	-	-	-
Substandard loans:			
- Secured	34,075	137,629	-
- Unsecured	-	-	-
Doubtful loans:			
- Secured	4,100	16,560	-
- Unsecured	-	-	-
Loss loans:			
- Secured	-	-	-
- Unsecured	-	-	-
	571,237	2,307,226	140,332

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**7. Loans and advances to customers (continued)**

(b) By maturity period	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
From one month to three months	602	2,431	-
From four months to one year	44,954	181,569	-
Over one year but within three years	525,681	2,123,226	140,332
	<u>571,237</u>	<u>2,307,226</u>	<u>140,332</u>
(c) By security			
Secured (*)	571,237	2,307,226	140,332
Unsecured	-	-	-
	<u>571,237</u>	<u>2,307,226</u>	<u>140,332</u>
(*) Secured loans represent loans and advances to customer that are collateralised by hard and soft title deeds. Total amount of USD 404,108 represents loans secured by soft title deeds. Soft title deed is a non-official certificate issued by the district cadastre or a letter of land ownership transfer issued by the Commune Chiefs, rather than a proper land/hard title deed registered with the Cadastral Registry Unit under the Land Law. The validity of soft title deeds is contingent.			
(d) By currency denomination			
US Dollars	<u>571,237</u>	<u>2,307,226</u>	<u>140,332</u>
(e) By status of residence			
Residents	<u>571,237</u>	<u>2,307,226</u>	<u>140,332</u>
(f) By relationship			
Related parties (staff loans)	3,645	14,722	-
Non related parties	567,592	2,292,504	140,332
	<u>571,237</u>	<u>2,307,226</u>	<u>140,332</u>
(g) By economic sectors			
Household/family	6,998	28,265	-
Agriculture	97,813	395,067	1,500
Transportation	53,490	216,046	-
Services	42,349	171,047	65,868
Trade and commerce	173,977	702,693	72,299
Other categories	196,610	794,108	665
	<u>571,237</u>	<u>2,307,226</u>	<u>140,332</u>
(h) By exposures			
Non large exposures	<u>571,237</u>	<u>2,307,226</u>	<u>140,332</u>
(i) By interest rate (per annum)			
		%	%
Loans		21.60 % - 36%	21.60 % - 36%
Staff loans		15.60%	-

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**8. Other assets**

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Interests receivable	8,045	32,494	1,704
Interest in suspense	(1,993)	(8,050)	-
Deposits	4,200	16,964	4,200
Others	134	541	1,459
	<b>10,386</b>	<b>41,949</b>	<b>7,363</b>

**9. Intangible assets**

	System, software	
	USD	KHR'000
<b>Cost</b>		
At 01 January 2011	3,000	12,117
Addition	-	-
At 31 December 2011	3,000	12,117
<b>Accumulated amortisation</b>		
At 01 January 2011	313	1,264
Charge for the year	750	3,029
At 31 December 2011	1,063	4,293
<b>Net book value</b>		
<b>At 31 December 2011</b>	<b>1,937</b>	<b>7,824</b>
<b>At 31 December 2010</b>	<b>2,687</b>	<b>10,853</b>
Depreciation charge for 2010	313	1,264

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**10. Property and equipment**

	Office furniture & equipment USD	Computer & IT equipment USD	Total USD	Total KHR'000
<b>Cost</b>				
At 1 January 2011	3,565	6,297	9,862	39,832
Additions	860	833	1,693	6,838
At 31 December 2011	4,425	7,130	11,555	46,670
<b>Accumulated depreciation</b>				
At 1 January 2011	433	650	1,083	4,374
Charge for the year	1,162	1,954	3,116	12,586
At 31 December 2011	1,595	2,604	4,199	16,960
<b>Net book value</b>				
<b>At 31 December 2011</b>	<b>2,830</b>	<b>4,526</b>	<b>7,356</b>	<b>29,710</b>
<b>At 31 December 2010</b>	<b>3,132</b>	<b>5,647</b>	<b>8,779</b>	<b>35,458</b>
Depreciation charge for 2010	433	650	1,083	4,374

**11. Provision for income tax**

	31-Dec-11 USD	KHR'000	01-Aug-10 to 31-Dec-10 USD
Balance at beginning of year	12	49	-
Charge during the year	1,012	4,087	35
Taxation paid during the year	(899)	(3,631)	(23)
	<b>125</b>	<b>505</b>	<b>12</b>

**12. Other liabilities**

	31-Dec-11 USD	KHR'000	01-Aug-10 to 31-Dec-10 USD
Interest payable	1,900	7,674	-
Professional fees	3,762	15,195	-
Salary and withholding tax	93	376	41
Loan suspense account	6,316	25,510	-
	<b>12,071</b>	<b>48,755</b>	<b>41</b>

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**13. Borrowings**

		31-Dec-11	01-Aug-10 to 31-Dec-10	
		USD	KHR'000	USD
Rural Development Bank	(i)	50,000	201,950	-
Anco Specialized Bank	(ii)	250,000	1,009,750	-
		<b>300,000</b>	<b>1,211,700</b>	<b>-</b>

**(i) Rural Development Bank**

Loan period	One year maturing on 04 May 2012
Total credit facilities	USD 50,000.00
Repayment	Principal at maturity date and interest on monthly basis
Interest rate	9% per annum
Security	Secured

**(ii) Anco Specialized Bank**

Loan period	From 08 June 2011 to 08 June 2013
Total credit facilities	USD 500,000.00
Repayment	Principal at maturity date and interest on monthly basis
Interest rate	10% per annum
Security	Unsecured

**14. Share capital**

	31-Dec-11	01-Aug-10 to 31-Dec-10	
	USD	KHR'000	USD
Balance at beginning of year	350,000	1,413,650	350,000
Proceeds from issue of shares	-	-	-
<b>Balance at end of year</b>	<b>350,000</b>	<b>1,413,650</b>	<b>350,000</b>

The registered statutory capital of the Company as at 31 December 2011 is 3,500 shares at a par value of USD 100 per share. All shares are fully paid. At the date of this report, the formalities to lodge the Company's Articles of Association at the Ministry of Commerce are still under process.

**15. Interest income**

	31-Dec-11	01-Aug-10 to 31-Dec-10	
	USD	KHR'000	USD
Loans and advances	95,303	384,929	4,694
Deposits and placements with banks	196	791	351
	<b>95,499</b>	<b>385,720</b>	<b>5,045</b>

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**16. Interest expense**

Interest expense is incurred on borrowings.

**17. Other operating income**

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Penalty income	222	897	1
Others	4,208	16,996	255
	<b>4,430</b>	<b>17,893</b>	<b>256</b>

**18. Personnel cost**

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Wages and salaries	30,838	124,554	7,632
Staff benefits	4,557	18,405	2,527
	<b>35,395</b>	<b>142,959</b>	<b>10,159</b>

**19. Other operating expenses**

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Repair and maintenance	1,942	7,844	5,003
Office rental	15,600	63,008	9,100
Utilities expenses	2,549	10,295	472
Legal advice fee	200	808	400
Fees and commission	1,189	4,802	75
Professional fees	3,762	15,195	-
Stationery and supplies expenses	826	3,336	421
Printing and copy expenses	712	2,876	62
Communication	2,330	9,411	936
Business meals and entertainment	989	3,994	151
License fees expense	254	1,026	767
Board of director fees	330	1,333	110
Marketing and advertising expenses	132	533	132
Memberships expenses	688	2,779	-
Traveling expenses	3,687	14,892	742
Patent tax	282	1,139	311
Small equipment and materials	632	2,553	592
Others	1,029	4,156	398
	<b>37,133</b>	<b>149,980</b>	<b>19,672</b>



**NOTES TO THE FINANCIAL STATEMENTS  
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**20. Income tax expense**

In accordance with Cambodian laws, the Company has an obligation to pay corporate income tax of the higher of 20% of taxable income or a minimum tax of 1% of revenue. In 2011, the minimum tax of 1% on revenue exceeded the income tax on profit.

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Profit/(loss) before income tax	4,215	17,026	(25,926)
Income tax using statutory rate	843	3,405	N/A
Effect of minimum tax	169	682	35
<b>Income tax expense</b>	<b>1,012</b>	<b>4,087</b>	<b>35</b>

Tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they were incurred. As at 31 December 2011, the Company had estimated unutilised tax losses of USD 25,961 that will expire in 2016.

A deferred income tax asset on tax loss is not recognised as it is not probable that future taxable profits will be available against which the losses can be utilised.

**21. Tax interpretation**

The Cambodian General Department of Taxation has two separate offices that are authorised to conduct tax audits of entities undertaking activities and doing business in Cambodia. The application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by these two tax offices. The Company's judgement of its business activities may not coincide with the interpretation of the same activities by those tax offices.

If a particular treatment was to be challenged by those various tax authorities, the Company may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years with a possible extension of up to ten years.

**22. Lease commitments**

The Company has lease commitments for the lease of its premises as follows:

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Note later than one year	15,600	63,008	15,600
Later than one year and not later than 5 years	6,500	26,254	22,100
	<b>22,100</b>	<b>89,262</b>	<b>37,700</b>

### **23. Financial risk management**

The Company's business involves taking on risks in a targeted manner and managing them professionally. The Company's risk management is to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The risks arising from financial business to which the Company's activities are exposed are operational risk, financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), and liquidity risk. The following are policies and guidelines adopted by the Company to manage risks related to its business activities.

#### **23.1 Operational risk**

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk 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 senior management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of policies and procedures to provide guidance to the key operating units on the risk governance structure and baseline internal controls necessary to identify, assess, monitor and control their operational risks. Internal control policies and measures that have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed periodically, taking into account the business objectives and strategies of the Company as well as regulatory requirements.

#### **23.2 Credit risk**

The Company assumes exposure to credit risk which is the risk that customers, clients or market counterparties fail to fulfil their contractual obligations to the Company when due. Credit risk arises mainly from loans and advances arising from such lending activities.

##### **(a) Credit risk measurement**

The Company has set up the Credit Risk Policy which is designed to govern the Company's risk undertaking activities. Procedures of risk limit setting, monitoring, usage, and control are governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

The Company also ensures that there is a clear segregation of duties between loan originators, evaluators and approving authorities.

##### **(b) Risk limit control and mitigation policies**

The Company manages, limits and controls concentration of credit risk whenever they are identified – in particular, to individual counterparties and groups, and to industries.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011

**23. Financial risk management (continued)**

**23.2 Credit risk (continued)**

(b) Risk limit control and mitigation policies (continued)

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees as well as by providing for loan losses. Limits on level of credit risk by product and industry sector are approved by the Board of Directors.

Under the provisions of *Prakas* No. B7-00-06 dated 11 January 2000, all micro-finance institutions are required to maintain at all times a maximum ratio of 10% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with the relevant *Prakas* issued by NBC, as stated in note 3 (g) to the financial statements.

Loans and advances less than 30 days past due are not considered impaired, unless other information available indicates otherwise. A minimum level of specific provision for impairment is made depending on the classification concerned.

(d) CAMMA exposure to credit risks before collateral held or other credit enhancements are as follows:

	31-Dec-11 USD	KHR'000	01-Aug-10 to 31-Dec-10 USD
<b>Credit risk exposures relating to on-balance sheet assets:</b>			
Balances with other banks	22,490	90,837	146,734
Loans and advances	566,599	2,288,493	140,332
Other assets	10,386	41,949	7,363
	<b>599,475</b>	<b>2,421,279</b>	<b>294,429</b>

The table above represents the maximum credit risk exposures to the Company as at 31 December 2011, without taking into account any collateral held or other credit enhancements. 95% of the total maximum credit exposure is derived from loans and advances to customers in Cambodia.

Management is confident of its ability to control and sustain minimal exposure to credit risk; and believes that 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.

NOTES TO THE FINANCIAL STATEMENTS  
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**23. Financial risk management (continued)**

**23.2 Credit risk (continued)**

(e) Loans and advances are summarised as follows:

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Loans and advances neither past due nor impaired	566,599	2,288,493	140,332
Loans and advances individually impaired	4,638	18,733	-
Gross	571,237	2,307,226	140,332
Less:			
Provision for loan impairment	(4,638)	(18,733)	-
Net	566,599	2,288,493	140,332

For the purpose of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirements.

(i) Loans and advances neither past due or impaired

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

(ii) Loans and advances individually impaired

Loans and advances individually impaired are loans and advances 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 and advances. In accordance with NBC guidelines, loans and advances past due more than 30 days are considered impaired and minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

	31-Dec-11		01-Aug-10 to 31-Dec-10
	USD	KHR'000	USD
Past due 30-179 days	3,408	13,765	-
Past due 180 days and more	1,230	4,968	-
	4,638	18,733	-

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. Financial risk management (continued)**

**23.2 Credit risk (continued)**

(f) Concentration of financial assets with credit risk exposures:

(i) By geographical distribution

The credit exposure of the Company as at 31 December 2011 is wholly derived from Cambodia based on the country of domicile of the counterparties.

(ii) By industry sector

	Balances with other banks USD	Loan and advances to customers USD	Other assets USD	Total USD	Total KHR' 000
<b>At 31 December 2011</b>					
Agriculture	-	97,813	-	97,813	395,067
Household/family	-	6,998	-	6,998	28,265
Financial institutions	22,490	-	-	22,490	90,837
Transportation	-	53,490	-	53,490	216,046
Services	-	42,349	-	42,349	171,047
Trade and commerce	-	173,977	-	173,977	702,693
Others	-	196,610	10,386	206,996	836,057
	<u>22,490</u>	<u>571,237</u>	<u>10,386</u>	<u>604,113</u>	<u>2,440,012</u>
	Balances with other banks USD	Loan and advances to customers USD	Other assets USD	Total USD	Total KHR' 000
<b>At 31 December 2010</b>					
Agriculture	-	1,500	-	1,500	6,080
Financial institutions	146,734	-	-	146,734	594,713
Services	-	65,868	-	65,868	266,963
Trade and commerce	-	72,299	-	72,299	293,028
Others	-	665	7,363	8,028	32,537
	<u>146,734</u>	<u>140,332</u>	<u>7,363</u>	<u>294,429</u>	<u>1,193,321</u>

**23. Financial risk management (continued)**

**23.3 Market risk**

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument 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.

(a) Foreign currency exchange risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company has no material exposures to currency risk as it transacts essentially in US Dollar. Significant presence of US Dollar is a normal practice of Company operating in Cambodia as this is a currency widely in use in Cambodia.

(b) Price risk:

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

(c) 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. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

The Management is satisfied that the Company's position is such that exposure to movements in interest rates is minimised.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(Continued)

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**23. Financial risk management (continued)**

**23.3 Interest rate risk (continued)**

<b>As at 31 December 2011</b>	Up to 1 month USD	1-3 months USD	3-12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rates %
<b>Financial assets</b>								
Cash in hand	-	-	-	-	-	13,170	13,170	
Deposits and placements with banks	22,490	-	-	-	-	-	22,490	0.4-0.75%
Statutory deposits with central bank	-	-	-	-	17,500	-	17,500	0.24%
Loans and advances to customers:								
- Performing	-	602	40,550	491,910	-	-	533,062	15.60-36%
- Non-performing	-	-	4,404	33,771	-	-	38,175	21.60-36%
- Specific provisions	-	-	-	-	-	(4,638)	(4,638)	
Other assets	-	-	-	-	-	10,386	10,386	
<b>Total financial assets</b>	<b>22,490</b>	<b>602</b>	<b>44,954</b>	<b>525,681</b>	<b>17,500</b>	<b>18,918</b>	<b>630,145</b>	
<b>Financial liabilities</b>								
Provision for income tax	-	-	-	-	-	125	125	
Other liabilities	-	-	-	-	-	12,071	12,071	
Borrowings	-	-	50,000	250,000	-	-	300,000	9-10%
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>250,000</b>	<b>-</b>	<b>12,196</b>	<b>312,196</b>	
<b>Interest sensitivity gap 2011 (USD)</b>	<b>22,490</b>	<b>602</b>	<b>(5,046)</b>	<b>275,681</b>	<b>17,500</b>	<b>6,722</b>	<b>317,949</b>	
<i>Interest sensitivity gap 2011 (KHR'000)</i>	<u><u>90,837</u></u>	<u><u>2,431</u></u>	<u><u>(20,381)</u></u>	<u><u>1,113,476</u></u>	<u><u>70,683</u></u>	<u><u>27,150</u></u>	<u><u>1,284,196</u></u>	

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**23. Financial risk management (continued)**

**23.3 Interest rate risk (continued)**

<b>As at 31 December 2010</b>	Up to 1 month USD	1-3 months USD	3-12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rates %
<b>Financial assets</b>								
Cash in hand	-	-	-	-	-	697	697	
Deposits and placements with banks	146,734	-	-	-	-	-	146,734	0.4-0.75%
Statutory deposits with central bank	-	-	-	-	17,500	-	17,500	0.24%
Loans and advances to customers:								
- Performing	-	-	-	140,332	-	-	140,332	21.60-36%
- Non-performing	-	-	-	-	-	-	-	
- Specific provisions	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	7,363	7,363	
<b>Total financial assets</b>	<b>146,734</b>	<b>-</b>	<b>-</b>	<b>140,332</b>	<b>17,500</b>	<b>8,060</b>	<b>312,626</b>	
<b>Financial liabilities</b>								
Provision for income tax	-	-	-	-	-	12	12	
Other liabilities	-	-	-	-	-	41	41	
Borrowings	-	-	-	-	-	-	-	
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>53</b>	
<b>Interest sensitivity gap 2010 (USD)</b>	<b>146,734</b>	<b>-</b>	<b>-</b>	<b>140,332</b>	<b>17,500</b>	<b>8,007</b>	<b>312,573</b>	
<i>Interest sensitivity gap 2010 (KHR'000)</i>	<i>592,659</i>	<i>-</i>	<i>-</i>	<i>566,801</i>	<i>70,683</i>	<i>32,340</i>	<i>1,262,483</i>	



**23. Financial risk management (continued)**

**23.4 Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.

(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 daily cash position and project for the next day, week and month respectively, as these are key periods for liquidity management. The management monitors the movement of the main depositors and projection of their withdrawals.

(b) Funding approach:

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

(c) Non-derivative cash flows:

The table below analyses non-derivative financial assets and liabilities of the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual or estimated maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

**CAMMA MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE REPORTING PERIOD FROM 01 AUGUST 2010 TO 31 DECEMBER 2011**

**23. Financial risk management (continued)**

**23.4 Liquidity risk (continued)**

As at 31 December 2011	Up to 1 month USD	1-3 months USD	3-12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
<b>Financial assets</b>							
Cash in hand	13,170	-	-	-	-	-	13,170
Deposits and placements with banks	22,490	-	-	-	-	-	22,490
Statutory deposits with central bank	-	-	-	-	-	17,500	17,500
Loans and advances to customers:							
- Performing		602	40,550	491,910	-	-	533,062
- Non-performing		-	4,404	33,771	-	-	38,175
- Specific provisions	-	-	-	-	-	(4,638)	(4,638)
Other assets	8,179	-	-	4,200	-	(1,993)	10,386
<b>Total financial assets</b>	<b>43,839</b>	<b>602</b>	<b>44,954</b>	<b>529,881</b>	<b>-</b>	<b>10,869</b>	<b>630,145</b>
<b>Financial liabilities</b>							
Provision for income tax	-	125	-	-	-	-	125
Other liabilities	8,309	3,762	-	-	-	-	12,071
Borrowings	-	-	50,000	250,000	-	-	300,000
<b>Total financial liabilities</b>	<b>8,309</b>	<b>3,887</b>	<b>50,000</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>312,196</b>
<b>Net position 2011 (USD)</b>	<b>35,530</b>	<b>(3,285)</b>	<b>(5,046)</b>	<b>279,881</b>	<b>-</b>	<b>10,869</b>	<b>317,949</b>
<b>As at 31 December 2010</b>							
<b>Total financial assets</b>	<b>147,431</b>	<b>1,704</b>	<b>3,459</b>	<b>142,533</b>	<b>17,500</b>	<b>-</b>	<b>312,627</b>
<b>Total financial liabilities</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53</b>
<b>Net position 2010 (USD)</b>	<b>147,378</b>	<b>1,704</b>	<b>3,459</b>	<b>142,533</b>	<b>17,500</b>	<b>-</b>	<b>312,574</b>

**23. Financial risk management (continued)**

**23.5 Capital management**

The Company considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans. The Company details these considerations through an internal capital adequacy assessment process and the key features of which include (a) consideration of both economic and regulatory of minimum capital requirements set by the National Bank of Cambodia, (b) safeguarding 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, (c) maintaining a strong capital base to support the development of business.

**23.6 Fair value of financial assets and liabilities**

Since market prices for the major part of Company's financial assets and liabilities are not available, the fair value of these items is based on the estimates of the Management according to the type of assets and liabilities. According to the estimation of the Management, the market value is not materially different from the carrying amount of all categories of assets and liabilities.

The carrying amounts and fair value of financial assets and liabilities are not presented on the Company's balance sheet at their fair value. The estimated fair values are based on the following methodologies and assumptions:

(a) Deposits and placements with other banks:

Deposits and placements with other banks include current accounts, saving deposits and fixed deposits. The fair values of deposits and placements with other banks approximate their carrying amounts.

(b) Loans and advances to customers:

Loans and advances are stated at outstanding balance and interest, net of provision for loan losses. The provision of loan losses is made in accordance with the requirements of the relevant Prakas issued by the NBC.

(c) Borrowings:

The fair value of fixed interest-bearing borrowings not quoted in an active market is based on principles outstanding using the interest rates of such borrowings.

(d) Other assets and liabilities:

The carrying amounts of other financial assets and liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

**25. Comparative figures**

The comparative figures cover a six-month period from 1 August 2010 to 31 December 2010 and may not be comparable with the current reporting period which covers a twelve-month period from 1 January 2011 to 31 December 2011.



CAMMA MICROFINANCE LIMITED

ទេមា មីក្រូហិរញ្ញវត្ថុ លីមីតធីត

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