

HATTHA KAKSEKAR LIMITED

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

Corporate Information

Company	Hattha Kaksekar Limited
Registration No	Co. 5523/01P
Registered office	No. 606, Street 271, Sangkat Phsar Doeum Thkov, Khan Chamkamorn, Phnom Penh, Kingdom of Cambodia
Shareholders	OIKOCREDIT ASN-Novib Microkredietfonds (“Triple Jump”) Norwegian Investment Fund for Developing Countries (“NORFUND”) Hattha Kaksekar Non-Government Organisation (“HKNGO”) responsAbility responsAbility Participations AG HKSA Limited (“HKSA”) Mr. Dy Davuth
Board of Directors	Mr. Erik Peter Geurts, Chairman, Senior Investment Officer Equity of responsAbility Mr. Tor G. Gull, Director (Appointed in March 2013) Mr. Christoffer Christensen-RØed, Director, Investment Director of the Financial Institution and Funds Development at Norfund, the Norwegian Investment Fund for Developing Countries Mr. Dy Davuth, Independent Director, Vice President of Build Bright University Mr. Lonh Hay, Independent Director Mr. Eelco Mol, Director, Regional Manager of Triple Jump (Appointed in June 2013) Ms. Tal Nay Im, Independent Director Mr. Hout Ieng Tong, Director, President and Chief Executive Officer of HKL Mr. Albert Hofsink, Member, Board member of Maanaveeya Investments and Holdings Ltd. (Resigned in March 2013) Mr. Michael Fiebig, Member, and Head Microfinance Equity of responsAbility Social Investment AG, Switzerland (Resigned in June 2013) Mr. Pierre Berthon, Member, A consultant with Solidarité internationale pour le Développement et l'Investissement (SIDI) (Resigned in September 2013)

Corporate Information

Management team	<p>Mr. Hout Ieng Tong, President & Chief Executive Officer Ms. Im Vandith, Vice President & Chief Administration Officer Mr. Rath Sarun, Vice President & Chief Finance Officer Mr. Touch Lina, Vice President & Chief Operations Officer Mr. Nhean Virak, Assistant to President & CEO Ms. Van Bonida, Assistant to Vice President & CAO Mr. Mech Sokmetrey, Risk and Compliance Director Mr. Bong Benly, IT Director Mr. Chen Boranchanborath, Legal and Company Secretary Director Ms. In Socheata, Treasury Director Mr. Keo Kimhuth, Marketing Director Mr. Ly Siven, Credit Director Mr. Phat Thomas, Administration Director Mr. Ros Vol, Internal Audit Director Mr. Sem Souphoan, Human Resource Director Mr. Ou Kimthon, Savings & Deposit Director Ms. Ouk Maliny, Finance Director</p>
Principal bankers	<p>Aceda Bank Plc. National Bank of Cambodia Foreign Trade Bank of Cambodia Advance Bank of Asia Limited ANZ Royal Bank (Cambodia) Ltd</p>
Auditors	<p>KPMG Cambodia Ltd</p>

Hattha Kaksekar Limited

Contents

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



កាកសិក្រកម្ពុជា កាកសិក្រកម្ពុជា

Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of Hattha Kaksekar Limited (“the Company” or “HKL”) for the year ended 31 December 2013.

Principal activities

The principal activity of HKL is to provide loans, savings and other financial services particularly to women and low income families through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2013 were as follows:

	US\$
Profit before income tax	5,355,891
Income tax expense	(1,095,896)
Net profit for the year	<u>4,259,995</u>

Reserves and provisions

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

Dividends

During the financial year, the Company declared and paid dividends of US\$883,675 in respect of the prior year’s profit.

Share capital

On 10 September 2013, the responsAbility Participations AG and NORFUND acquired 3,545 shares and 530 shares from the Solidarité Internationale pour le Développement et l’Investissement (SIDI) respectively. Except for the shareholding structure changes, the total number of shares registered, authorised and paid up as at 31 December 2013 remain unchanged from the previous year.

Hattha Kaksekar Limited

Report of the Board of Directors (continued)

Share capital (continued)

On 27 December 2013, the NBC approved in principal to the Company's request dated 31 October 2013 to the plan to revise the Company's share capital and shareholding structure as follows:

- Increase share capital from US\$4,036,800 to US\$5,257,068 and change the shareholding structure to reflect this new capital injection; and
- Split nominal share value from US\$100 per share to US\$1 per share.

The Amendment of Articles of Incorporation was executed by the Company shareholders dated 31 January 2014 and is in the process to obtain final approval from the NBC as at the date of this report.

During the year, the Board of Directors approved for the Company to set up the Management Equity Plan ("MEP") in which HKL's senior management is given a share purchase option up to 357,742 shares, including bonus shares of 1.8 for each purchased share (equivalent to 229,977 shares), with a nominal value of US\$1 each share over the five years from 2013 to 2017.

The bonus shares will have a vesting period of three years (i) 10% at the first year anniversary of the purchase date, (ii) 45% at the second year anniversary, and (iii) 45% at the third year anniversary.

In December 2013, the Company's senior management has exercised the options by purchasing the Company's shares through HKSA amounting to 25,600 shares for US\$128,571. The amount was deposited to HKSA's bank account on 31 December 2013. The Company's senior management are entitled to bonus shares of 46,080 shares.

On 21 January 2014, the shareholders agreed to modify the approved MEP policy as follows:

- The 2013 MEP share allocation, related to the financial year 2012, is replaced by a special allocation of 25,600 shares to the MEP participants effective from January 2014, at USD5.0223 per share; and
- The next allocations will take place in 2014, 2015, 2016 and 2017 at a maximum of 25,553 shares each year based on performance of the financial years 2013 to 2016.

Bad and doubtful loans

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

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

Hattha Kaksekar Limited

Report of the Board of Directors (continued)

Current assets

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts 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.

Valuation methods

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

Contingent and other liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

Change of circumstances

At the date of this report, the 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.

Items of an unusual nature

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

Hattha Kaksekar Limited

Report of the Board of Directors (continued)

Items of an unusual nature (continued)

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

Events since the reporting date

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

The Board of Directors

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

- Mr. Erik Peter Geurts Chairman
- Mr. Tor G. Gull Member (Appointed in March 2013)
- Mr. Christoffer Christensen-Røed Member
- Mr. Dy Davuth Member
- Mr. Lonh Hay Member
- Mr. Eelco Mol Member (Appointed in June 2013)
- Ms. Tal Nay Im Member
- Mr. Hout Ieng Tong Member
- Mr. Albert Hofsink Member (Resigned in March 2013)
- Mr. Michael Fiebig Member (Resigned in June 2013)
- Mr. Pierre Berthon Member (Resigned in September 2013)

Directors' interests

The Directors who held office at the end of the financial year and their interests in the shares of the Company are as follows:

	2013		2012	
	Holding %	Number of shares of US\$100 each	Holding %	Number of shares of US\$100 each
Mr. Dy Davuth	<u>1.38</u>	<u>555</u>	<u>1.38</u>	<u>555</u>

Hattha Kaksekar Limited

Report of the Board of Directors (continued)

Directors' benefits

During and at the end of the financial year, there is no arrangement existed to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the share purchase option.

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

Responsibilities of the Directors in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- 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
- control and direct the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

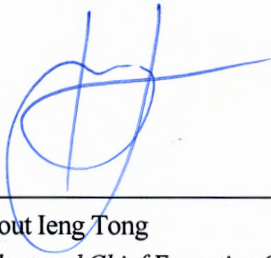
Hattha Kaksekar Limited

Report of the Board of Directors (continued)

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

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

On behalf of the Board of Directors 



Mr. Hout Leng Tong
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 02 APRIL 2014



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

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

Report of the independent auditors

To the shareholders

Hattha Kaksekar Limited

We have audited the accompanying financial statements of Hattha Kaksekar Limited (“the Company” or “HKL”), which comprise the balance sheet as at 31 December 2013, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 9 to 62.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of HKL as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

Other matter

The financial statements of the Company for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2013.

For **KPMG Cambodia Ltd**



Nge Huy
Audit Partner

Phnom Penh, Kingdom of Cambodia

2 April 2014

Hattha Kaksekar Limited

Balance sheet As at 31 December 2013

	Note	2013		2012	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand	5	5,201,162	20,778,642	2,036,319	8,135,094
Deposits and placements with National Bank of Cambodia	6	7,880,614	31,483,053	6,100,521	24,371,581
Deposits and placements with banks	7	14,221,930	56,816,610	6,143,087	24,541,633
Loans to customers	8	144,194,570	576,057,307	101,783,159	406,623,720
Other assets	9	3,226,647	12,890,455	2,443,692	9,762,549
Property and equipment	10	3,273,277	13,076,742	2,532,463	10,117,190
Intangible assets	11	1,574,486	6,290,072	1,933,624	7,724,828
TOTAL ASSETS		<u>179,572,686</u>	<u>717,392,881</u>	<u>122,972,865</u>	<u>491,276,595</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	12	82,473,575	329,481,932	44,254,970	176,798,605
Borrowings	13	47,266,330	188,828,988	40,065,011	160,059,719
Amounts due to shareholders	14	13,393,617	53,507,500	10,472,666	41,838,301
Subordinated debts	19	6,000,000	23,970,000	2,000,000	7,990,000
Provident benefits	15	912,518	3,645,510	629,295	2,514,034
Other liabilities	16	3,392,789	13,554,192	2,957,936	11,816,954
Deferred tax liabilities	17	28,297	113,047	144,248	576,271
Provision for income tax	17	842,182	3,364,517	561,681	2,243,916
TOTAL LIABILITIES		<u>154,309,308</u>	<u>616,465,686</u>	<u>101,085,807</u>	<u>403,837,800</u>
SHAREHOLDERS' EQUITY					
Share capital	18	4,036,800	16,127,016	4,036,800	16,127,016
Share premium		5,515,704	22,035,237	5,515,704	22,035,237
Legal reserves		403,680	1,612,702	403,680	1,612,702
Other reserves		465,272	1,858,762	295,162	1,179,172
Subordinated debts	19	729,319	2,913,629	729,319	2,913,629
Retained earnings		14,112,603	56,379,849	10,906,393	43,571,039
TOTAL SHAREHOLDERS' EQUITY		<u>25,263,378</u>	<u>100,927,195</u>	<u>21,887,058</u>	<u>87,438,795</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>179,572,686</u>	<u>717,392,881</u>	<u>122,972,865</u>	<u>491,276,595</u>

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

Hattha Kaksekar Limited

Income statement for the year ended 31 December 2013

	Note	2013		2012	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	20	29,732,596	118,781,721	23,200,630	92,686,517
Interest expense	21	(9,396,365)	(37,538,478)	(6,574,601)	(26,265,531)
Net interest income		<u>20,336,231</u>	<u>81,243,243</u>	<u>16,626,029</u>	<u>66,420,986</u>
Other operating income	22	623,619	2,491,358	740,184	2,957,035
Operating income		<u>20,959,850</u>	<u>83,734,601</u>	<u>17,366,213</u>	<u>69,378,021</u>
General and administrative expenses	23	(15,093,031)	(60,296,659)	(11,684,913)	(46,681,228)
Allowance for bad and doubtful loans	8	(510,928)	(2,041,157)	(315,068)	(1,258,697)
Profit before income tax		<u>5,355,891</u>	<u>21,396,785</u>	<u>5,366,232</u>	<u>21,438,096</u>
Income tax expense	17	(1,095,896)	(4,378,105)	(947,859)	(3,786,697)
Net profit for the year		<u><u>4,259,995</u></u>	<u><u>17,018,680</u></u>	<u><u>4,418,373</u></u>	<u><u>17,651,399</u></u>

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

Hattha Kaksekar Limited

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

	Share capital US\$	Share premium US\$	Legal reserves US\$	Other reserves US\$	Subordinated debt US\$	Retained earnings US\$	Total US\$
At 1 January 2012	4,036,800	5,515,704	382,470	-	729,319	6,961,651	17,625,944
Net profit for the year	-	-	-	-	-	4,418,373	4,418,373
Transfer to legal reserves	-	-	21,210	-	-	(21,210)	-
Transfer to other reserves	-	-	-	295,162	-	(295,162)	-
Dividends distribution (Note 24)	-	-	-	-	-	(157,259)	(157,259)
At 31 December 2012	<u>4,036,800</u>	<u>5,515,704</u>	<u>403,680</u>	<u>295,162</u>	<u>729,319</u>	<u>10,906,393</u>	<u>21,887,058</u>
(KHR'000 equivalents)							
At 31 December 2012	<u>16,127,016</u>	<u>22,035,237</u>	<u>1,612,702</u>	<u>1,179,172</u>	<u>2,913,629</u>	<u>43,571,040</u>	<u>87,438,796</u>
At 1 January 2013	4,036,800	5,515,704	403,680	295,162	729,319	10,906,393	21,887,058
Net profit for the year	-	-	-	-	-	4,259,995	4,259,995
Transfer to other reserves	-	-	-	170,110	-	(170,110)	-
Dividends distribution (Note 24)	-	-	-	-	-	(883,675)	(883,675)
At 31 December 2013	<u>4,036,800</u>	<u>5,515,704</u>	<u>403,680</u>	<u>465,272</u>	<u>729,319</u>	<u>14,112,603</u>	<u>25,263,378</u>
(KHR'000 equivalents - Note 4)							
At 31 December 2013	<u>16,127,016</u>	<u>22,035,237</u>	<u>1,612,702</u>	<u>1,858,762</u>	<u>2,913,629</u>	<u>56,379,849</u>	<u>100,927,195</u>

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

Hattha Kaksekar Limited

Statement of cash flows for the year ended 31 December 2013

	Note	2013		2012	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities					
Net cash (used in)/generated from operating activities	25	(1,240,679)	(4,956,512)	4,218,517	16,852,975
Cash flows from investing activities					
Purchase of property and equipment	10	(1,940,840)	(7,753,656)	(2,190,998)	(8,753,037)
Purchases of intangible assets	11	(83,504)	(333,598)	(1,007,404)	(4,024,579)
Proceeds from disposal of property and equipment		207	827	30,435	121,588
Net cash used in investing activities		(2,024,137)	(8,086,427)	(3,167,967)	(12,656,028)
Cash flows from financing activities					
Proceeds from borrowings		13,382,728	53,463,998	16,808,588	67,150,309
Repayments of borrowings		(6,181,409)	(24,694,729)	(13,921,990)	(55,618,350)
Proceeds from amounts due to shareholders		10,539,424	42,104,999	4,026,284	16,085,005
Repayments of amounts due to shareholders		(7,618,473)	(30,435,800)	(4,001,374)	(15,985,489)
Proceeds from subordinated debts		4,000,000	15,980,000	-	-
Dividends paid		(883,675)	(3,530,282)	(687,367)	(2,746,031)
Net cash generated from financing activities		13,238,595	52,888,186	2,224,141	8,885,444
Net increase in cash and cash equivalents		9,973,779	39,845,247	3,274,691	13,082,391
Cash and cash equivalents at the beginning of the year		9,982,776	39,881,190	6,708,085	26,798,799
Cash and cash equivalents at the end of the year	26	19,956,555	79,726,437	9,982,776	39,881,190

Significant non-cash transactions

During the year there were the following significant non-cash transactions:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Increase in other reserves as a result of transfer from the retained earnings	170,110	679,589	295,162	1,179,172
Increase in legal reserves as a result of transfer from the retained earnings	-	-	21,210	84,734

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

Hattha Kaksekar Limited

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

1. Reporting entity

Hattha Kaksekar, a non-governmental organisation (“NGO”) established in November 1996, has created Hattha Kaksekar Limited (“HKL” or the “Company”) in order to comply with the Prakas No. B-700-06 dated 11 January 2000 of the National Bank of Cambodia (“NBC” or “the Central Bank”) on the licensing of micro-finance institutions. The creation of HKL converted the NGO’s micro-lending operations into a licensed and commercially oriented micro-finance institution. HKL aims to continue the NGO’s micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. The conversion was achieved by transferring and assigning all the assets and liabilities of the NGO as at 27 April 2001, the effective date of transfer, to HKL including all grant contracts and the outstanding receivables arising from these contracts as at the date of transfer, conditions and obligations relating to borrowings, all employment contracts, conditions, obligations and benefits, leases on premises or houses for office branches or headquarters, and all other related to the micro-lending operations of the NGO. The transfer and assignment of all these were put into effect through an agreement to transfer assets and liabilities, and the subordinated loan agreement between the NGO and HKL, both dated 27 April 2001.

On 27 April 2001, the Ministry of Commerce issued a business license dated 3 April 2001 to HKL to operate as a limited company with the aim of providing credit and saving services for the lower segments of the market. On 19 October 2001, under license number 2, the National Bank of Cambodia (“NBC”) issued a license to HKL to conduct micro-finance operations for a three-year period which expired on 19 October 2004. On 12 July 2004, HKL obtained a new license for a three-year period which expired on 19 October 2007. The NBC granted an indefinite micro-finance license to the Company effective from 8 August 2007.

On 29 January 2010, the NBC issued a license to HKL to conduct the deposit taking business.

The principal activity of HKL is to provide loans, savings and other financial services particularly to women and low income families through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia.

HKL operates in 48 branches located in Phnom Penh and 24 provinces, namely, Siem Reap, Banteay Meanchey, Kampong Thom, Kampong Cham, Kratie, Kampong Chhnang, Pursat, Battambang, Takeo, Prey Veng, Kandal, Kampong Speu, Svay Rieng, Kampot, Koh Kong, Shihanouk Ville, Preah Vihea, Steung Treng, Oddor Meanchey, Mondulhiri, Ratanakiri, Kep and Pailin with the primary source of revenue being interest income earned on providing loans to clients.

The Company’s head office is located at No. 606, Street 271, Sangkat Phsar Doeum Thkov, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2013, the Company had 1,675 employees (2012: 1,335 employees).

Hattha Kaksekar Limited

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

2. Basis of preparation

(a) Statement of compliance

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

The financial statements of the Company were authorised for issue by the Board of Directors on 2 April 2014.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

(d) Use of estimates and judgements

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

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

Hattha Kaksekar Limited

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

3. Significant accounting policies

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

(a) Financial instruments

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

(b) Basis of aggregation

The Company's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

(c) Cash and cash equivalents

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

(d) Deposits and placements with banks

Deposits and placements with banks are stated at cost.

(e) Deposits and placements with National Bank of Cambodia

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

(f) Loans to customers

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

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

(g) Allowance for bad and doubtful loans

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

Classification	Number of days past due	Provision
Short-term loans (less than one year):		
Sub-standard	31 – 60 days	10%
Doubtful	61 – 90 days	30%
Loss	Over 90 days	100%
Long-term loans (more than one year):		
Sub-standard	31 – 180 days	10%
Doubtful	181 – 360 days	30%
Loss	Over 360 days	100%

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

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

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

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

(h) Interest in suspense

Interest in suspense represents interest on non-performing loans and advances, that is recorded as a provision rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivables.

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

(i) Other assets

Other assets are carried at estimated realisable value.

(j) Property and equipment

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

	2013		2012	
Leasehold improvements	3 years	Straight-line	33.33%	Straight-line
Computers	3 years	Straight-line	50%	Declining
Motor vehicles	3-5 years	Straight-line	25%	Declining
Equipment	3-5 years	Straight-line	25%	Declining
Furniture and fixtures	3 years	Straight-line	20%	Declining

In May 2013, the Company changed the depreciation method of property and equipment items except for leasehold improvements from declining to straight-line method. The change in the method used was applied prospectively and the effect of these changes resulted in increase in depreciation expenses, included in general and administrative expenses for the year ended 31 December 2013 of US\$259,017.

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

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

(k) Intangible assets

Intangible assets consist of computer software license and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software license is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

(l) Impairment

(i) Financial assets

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

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

All impairment losses are recognised in the income statement.

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

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) *Non-financial assets (continued)*

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(m) Deposits from customers

Deposits from customers are stated at cost.

(n) Borrowings

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

(o) Subordinated debts

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, if otherwise, it is treated as equity. The subordinated debts which are approved by the NBC are included as a Tier II line item in the calculation of the Bank's net worth in accordance with the guidelines of the NBC.

(p) Provisions

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

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

(q) Provident benefits

The Company provides its employees upon completion of probationary period with provident benefits, being a defined contribution plan. The Company contributes fund to each individual employees on a monthly basis at a percentage of the employees' monthly salaries based on their years of service, as follows:

Number of working year	Monthly rate
Up to 5 years	6%
More than 5 years to 10 years	8%
More than 10 years	10%

The provident funds are maintained at saving accounts under the name of each employee with the Company commencing from February 2013 and the withdrawal can only be made upon resignation or retirement.

Upon resignation or retirement, an employee who has worked for the Company for three years or more is entitled to provident fund accumulated and interest earned in their saving accounts.

(r) Legal reserves

Based on the Articles of Incorporation, the Company is required to transfer from retained earning based on the rate of 5% of its prior year net profit to these legal reserves. The transfer to this reserve fund shall cease when the reserve fund is equal to 10% of the Company's registered capital.

(s) Other reserves

From 9 December 2010, the Company is required to set up a reserve by a lender, Instituto de Credito Oficial ("ICO") of the Kingdom of Spain, in accordance with the requirement set out in the loan agreement under Spanish Microfinance Program. The reserve is transferred annually from the retained earnings based on the rate of 3.5% of the outstanding loan from ICO at the end of each year until 9 March 2023. The other reserves are for Institutional Strengthening and still retained in other reserved accounts of the life of the loan, except otherwise agreed by ICO and AECID.

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

(t) Dividends

Dividends are recognised in equity in the period in which they are approved by the Company's shareholders.

Dividends for the year that are declared after the balance sheet date are dealt with the subsequent events note.

(u) Income and expense recognition

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

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

Expenses are recognised on an accrual basis.

(v) Operating leases

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

(w) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement.

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 adjustment to tax payable in respect of previous years.

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

(w) Income tax (continued)

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

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

(x) Related parties

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

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

(y) New standards and interpretations not yet adopted

The National Accounting Council of Cambodia (“NAC”), as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) effective for financial statements with periods beginning on or after 1 January 2012.

On 30 July 2012, the Ministry of Economy and Finance through NAC issued a Notification on delaying of adopting the IFRS until periods beginning on 1 January 2016.

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

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

The new standards will be referred to as “Cambodian International Financial Reporting Standards” (CIFRS). Based on the current issued CIFRS, the following standards are expected to have an impact on the Company’s financial statements:

- *CIAS 1 Presentation of Financial Statements* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.
- *CIAS 23 Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
- *CIFRS 9 (2009)* introduces the requirements for the classification and measurement of financial assets. Under *CIFRS 9 (2009)*, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. *CIFRS 9 (2010)* introduces additional changes relating to financial liabilities.

CIFRS 9 (2010) and *(2009)* are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

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

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

Hattha Kaksekar Limited

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

3. Significant accounting policies (continued)

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

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

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

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars (“US\$”). The translations of US\$ amounts into Khmer Riel (“KHR”) are included solely for the compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements and have been made using the prescribed official exchange rate of US\$1: KHR3,995 published by the NBC on 31 December 2013 (2012: US\$1: KHR3,995). These convenient translations are not audited and should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Cash on hand

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Head office	2,753,855	11,001,651	467,788	1,868,813
Branches	2,447,307	9,776,991	1,568,531	6,266,281
	<u>5,201,162</u>	<u>20,778,642</u>	<u>2,036,319</u>	<u>8,135,094</u>

Hattha Kaksekar Limited

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

5. Cash on hand (continued)

The above amounts are analysed by currency as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	4,319,073	17,254,696	1,619,081	6,468,229
Khmer Riel	644,224	2,573,675	277,196	1,107,397
Thai Baht	237,865	950,271	140,042	559,468
	<u>5,201,162</u>	<u>20,778,642</u>	<u>2,036,319</u>	<u>8,135,094</u>

6. Deposits and placements with National Bank of Cambodia

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Statutory deposits:				
Capital guarantee deposit	403,680	1,612,701	403,680	1,612,701
Reserve requirement	6,943,471	27,739,167	3,893,471	15,554,417
	<u>7,347,151</u>	<u>29,351,868</u>	<u>4,297,151</u>	<u>17,167,118</u>
Current accounts				
(with original maturities less than three months)	533,463	2,131,185	1,803,370	7,204,463
	<u>7,880,614</u>	<u>31,483,053</u>	<u>6,100,521</u>	<u>24,371,581</u>

Capital guarantee deposit

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

The statutory deposit on registered capital placed with the NBC earns interest at the rate of 0.12% (2012: 0.2%) per annum.

Hattha Kaksekar Limited

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

6. Deposits and placements with National Bank of Cambodia (continued)

Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 8% of the total deposits from customers as required by Prakas B7-07-163 on Licensing of Micro-finance Deposit Taking Institutions. The statutory deposit on customers' deposits fluctuates depending on the level of the customers' deposits.

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

7. Deposits and placements with banks

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	1,267,282	5,062,791	512,473	2,047,330
Savings accounts	12,954,648	51,753,819	5,630,614	22,494,303
	<u>14,221,930</u>	<u>56,816,610</u>	<u>6,143,087</u>	<u>24,541,633</u>

Deposits and placements with banks are analysed as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By currency:				
US Dollars	10,147,691	40,540,025	3,823,978	15,276,792
Khmer Riel	2,356,620	9,414,697	1,244,622	4,972,265
Thai Baht	1,717,619	6,861,888	1,074,487	4,292,576
	<u>14,221,930</u>	<u>56,816,610</u>	<u>6,143,087</u>	<u>24,541,633</u>

Hattha Kaksekar Limited

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

7. Deposits and placements with banks (continued)

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(b) By type:				
<i>Current accounts</i>				
Aceda Bank Plc.	281,738	1,125,543	305,431	1,220,197
ANZ Royal Bank (Cambodia) Ltd	965,277	3,856,282	186,307	744,296
Advanced Bank of Asia Limited	3,718	14,853	18,483	73,840
Foreign Trade Bank of Cambodia	16,549	66,113	2,252	8,997
	<u>1,267,282</u>	<u>5,062,791</u>	<u>512,473</u>	<u>2,047,330</u>
<i>Savings accounts</i>				
Aceda Bank Plc.	10,724,035	42,842,520	5,278,297	21,086,797
ANZ Royal Bank (Cambodia) Ltd	1,061,134	4,239,230	-	-
Advanced Bank of Asia Limited	62,798	250,878	9,702	38,759
Foreign Trade Bank of Cambodia	1,106,681	4,421,191	342,615	1,368,747
	<u>12,954,648</u>	<u>51,753,819</u>	<u>5,630,614</u>	<u>22,494,303</u>
	<u>14,221,930</u>	<u>56,816,610</u>	<u>6,143,087</u>	<u>24,541,633</u>
(c) By maturity:				
Within 1 month	<u>14,221,930</u>	<u>56,816,610</u>	<u>6,143,087</u>	<u>24,541,633</u>
(d) By interest rate (per annum)				
		2013		2012
Current accounts		0.5%		-
Savings accounts		0.05% - 0.75%		0.05% - 1.5%

Hattha Kaksekar Limited

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

8. Loans to customers

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Individual loans	145,667,482	581,941,590	102,838,107	410,838,237
Allowance for bad and doubtful loans:				
Specific	(17,044)	(68,091)	(27,725)	(110,761)
General	(1,455,868)	(5,816,192)	(1,027,223)	(4,103,756)
	(1,472,912)	(5,884,283)	(1,054,948)	(4,214,517)
	<u>144,194,570</u>	<u>576,057,307</u>	<u>101,783,159</u>	<u>406,623,720</u>

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

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At beginning of year	1,054,948	4,214,517	779,288	3,113,255
Provision during the year	510,928	2,041,157	315,068	1,258,697
Written off during the year	(92,964)	(371,391)	(39,408)	(157,435)
At end of year	<u>1,472,912</u>	<u>5,884,283</u>	<u>1,054,948</u>	<u>4,214,517</u>

Loans to customers are analysed as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	1,077,112	4,303,062	990,711	3,957,891
> 1 to 3 months	1,858,836	7,426,050	1,631,939	6,519,596
> 3 to 12 months	26,513,635	105,921,972	24,520,521	97,959,481
More than 12 months	116,217,899	464,290,506	75,694,936	302,401,269
	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>

Hattha Kaksekar Limited

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

8. Loans to customers (continued)

Loans to customers are analysed as follows: (continued)

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(b) By currency:				
US Dollars	125,850,028	502,770,862	87,411,121	349,207,427
Khmer Riel	11,300,469	45,145,373	9,522,086	38,040,734
Thai Baht	8,516,985	34,025,355	5,904,900	23,590,076
	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>
(c) By economic sector:				
Agriculture	40,984,632	163,733,605	31,263,932	124,899,408
Trade and commerce	36,574,708	146,115,958	27,828,159	111,173,495
Household/family	27,796,011	111,045,064	17,613,809	70,367,167
Construction	17,477,619	69,823,088	10,666,174	42,611,365
Services	14,562,519	58,177,263	9,413,700	37,607,732
Transportation	7,496,591	29,948,881	5,359,431	21,410,927
Other categories	775,402	3,097,731	692,902	2,768,143
	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>
(d) By residency status:				
Residents	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>
(e) By relationship:				
External customers	143,690,838	574,044,898	101,422,422	405,182,576
Management and staff loans	1,976,644	7,896,692	1,415,685	5,655,661
	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>

Hattha Kaksekar Limited

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

8. Loans to customers (continued)

Loans to customers are analysed as follows (continued):

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(f) By location:				
Operational Office – Phnom Penh	3,802,123	15,189,481	2,994,977	11,964,933
<i>Phnom Penh branches</i>				
Phnom Penh	3,484,273	13,919,671	3,601,991	14,389,954
Dangkor	3,319,026	13,259,509	3,840,912	15,344,444
Daun Penh	3,651,762	14,588,789	2,641,535	10,552,932
Russey Keo	2,280,128	9,109,111	1,617,545	6,462,092
Boeng Trabek	2,675,594	10,688,998	-	-
<i>Provincial branches</i>				
Pursat				
- Pursat	3,997,703	15,970,824	3,272,547	13,073,825
- Bakan	4,777,701	19,086,915	3,763,229	15,034,100
Kampong Thom				
- Steung Sen	5,492,202	21,941,347	4,137,518	16,529,384
- Staung	1,894,693	7,569,299	1,490,291	5,953,713
- Baray	4,486,175	17,922,269	3,785,205	15,121,894
Siem Reap				
- Siem Reap	5,375,160	21,473,764	5,938,547	23,724,495
- Sort Nikum	1,871,652	7,477,250	1,425,377	5,694,381
- Pourk	3,510,935	14,026,185	2,239,308	8,946,036
- Chikreng	2,394,596	9,566,411	1,829,354	7,308,269
- Krong Siem Reap	2,251,479	8,994,659	-	-
Banteay Meanchey				
- Banteay Meanchey	5,562,152	22,220,797	4,600,530	18,379,117
- Poipet	6,477,553	25,877,824	4,763,802	19,031,389
- Thmar Pouk	3,841,521	15,346,876	3,193,016	12,756,099
Kampong Cham				
- Kampong Cham	4,531,125	18,101,844	3,823,281	15,274,008
- Tbong Khmum	1,970,990	7,874,105	3,495,698	13,965,314
- Memot	2,969,009	11,861,191	1,847,345	7,380,143
- Prey Chhor	3,265,503	13,045,685	2,266,328	9,053,980
- Ponhea Krek	2,131,863	8,516,793	-	-
Battambang				
- Battambang	4,451,363	17,783,195	4,013,220	16,032,814
- Bavel	3,029,838	12,104,203	2,906,854	11,612,882
Sub-total	93,496,119	373,516,995	73,488,410	293,586,198

Hattha Kaksekar Limited

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

8. Loans to customers - net (continued)

Loans to customers are analysed as follows (continued):

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(f) By location: (continued)				
<i>Provincial branches (continued)</i>				
Kampong Chhnang	2,411,844	9,635,317	1,103,271	4,407,568
Takeo				
- Takeo	3,423,857	13,678,309	2,533,732	10,122,259
- Prey Kabas	2,356,108	9,412,651	1,487,121	5,941,048
Prey Veng				
- Prey Veng	2,633,861	10,522,275	2,240,657	8,951,425
- Peam Ro	3,075,451	12,286,427	1,957,553	7,820,424
Kandal				
- Takhmao	2,015,916	8,053,584	3,410,583	13,625,279
- Mok Kampoul	1,847,564	7,381,018	1,169,422	4,671,841
- Kien Svay	3,402,101	13,591,393	2,291,993	9,156,512
- Ang Snoul	1,723,543	6,885,554	-	-
- Sa Ang	2,384,531	9,526,201	-	-
Svay Rieng	3,377,564	13,493,368	2,325,458	9,290,205
Kampong Speu	3,039,969	12,144,676	1,687,443	6,741,335
Kampot	2,335,270	9,329,404	931,601	3,721,746
Koh Kong	1,459,947	5,832,488	1,068,006	4,266,684
Kampong Som	2,613,594	10,441,308	1,517,727	6,063,319
Kratie	2,091,516	8,355,606	1,240,758	4,956,828
Preah Vihea	2,702,235	10,795,429	1,453,269	5,805,810
Steung Treng	1,414,916	5,652,589	489,321	1,954,837
Odor Meanchey	3,032,750	12,115,836	1,817,588	7,261,264
Mondulkiri	826,471	3,301,752	327,607	1,308,790
Ratanakiri	1,276,493	5,099,591	296,587	1,184,865
Pailin	2,725,862	10,889,819	-	-
Sub-total	52,171,363	208,424,595	29,349,697	117,252,039
Total	145,667,482	581,941,590	102,838,107	410,838,237

Hattha Kaksekar Limited

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

8. Loans to customers (continued)

Loans to customers are analysed as follows (continued):

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(g) By performance:				
Standard loans				
Secured	74,656,357	298,252,145	53,990,611	215,692,490
Unsecured*	70,930,484	283,367,284	48,731,674	194,683,038
Sub-standard loans				
Secured	37,391	149,377	54,868	219,198
Unsecured*	9,390	37,513	12,439	49,694
Doubtful loans				
Secured	11,044	44,121	19,936	79,644
Unsecured*	19,662	78,550	19,379	77,419
Loss loans				
Secured	3,154	12,600	5,528	22,084
Unsecured*	-	-	3,672	14,670
	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>

* These loans are secured by soft title deed. The soft title deed refers to the deed which is not issued by cadastry department.

(h) By type of loans:				
Micro loans	14,028,757	56,044,884	14,746,731	58,913,190
Small loans	42,175,453	168,490,935	32,256,795	128,865,896
Medium loans	61,791,828	246,858,353	42,464,226	169,644,583
Large loans	27,671,444	110,547,418	13,370,355	53,414,568
	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>

(i) By interest rate (per month):

	2013	2012
Micro loans (US\$50 - US\$1,000)	2.5% - 2.9%	2.5%
Small loans (US\$1,001 - US\$2,500)	1.9% - 2.4%	2.3% - 2.5%
Medium loans (US\$2,501 - US\$10,000)	1.8% - 2.3%	1.9% - 2%
Large loans (> US\$10,000)	1.4% - 2.0%	1.5% - 2%

Hattha Kaksekar Limited

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

9. Other assets

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest receivable	2,170,625	8,671,647	1,676,596	6,698,001
Interest in suspense	(38,512)	(153,855)	(16,711)	(66,760)
Net interest receivable	2,132,113	8,517,792	1,659,885	6,631,241
Deposits for office rentals	521,872	2,084,879	429,152	1,714,462
Fees on borrowings	343,233	1,371,216	-	-
Prepaid maintenance services	94,515	377,587	-	-
Other receivable	134,914	538,981	354,655	1,416,846
	<u>3,226,647</u>	<u>12,890,455</u>	<u>2,443,692</u>	<u>9,762,549</u>

Hattha Kaksekar Limited

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

10. Property and equipment

	Leasehold improvement US\$	Motor vehicles US\$	Computer equipment US\$	Equipment US\$	Furniture and fixtures US\$	Work in progress US\$	Total US\$	Total KHR'000 (Note 4)
Cost								
At 1 January 2013	276,510	908,735	1,574,335	629,327	396,890	-	3,785,797	15,124,259
Additions	162,684	320,180	447,876	775,690	52,636	181,774	1,940,840	7,753,656
Disposal	-	-	(4,662)	(4,531)	-	-	(9,193)	(36,726)
Reclassification	-	-	(426,709)	426,709	-	-	-	-
At 31 December 2013	439,194	1,228,915	1,590,840	1,827,195	449,526	181,774	5,717,444	22,841,189
Less: Accumulated depreciation								
At 1 January 2013	98,043	375,860	448,469	204,648	126,314	-	1,253,334	5,007,069
Depreciation for the year	113,792	215,974	367,547	348,031	154,125	-	1,199,469	4,791,879
Disposal	-	-	(4,662)	(3,974)	-	-	(8,636)	(34,501)
Reclassification	-	-	(18,120)	18,120	-	-	-	-
At 31 December 2013	211,835	591,834	793,234	566,825	280,439	-	2,444,167	9,764,447
Carrying amounts								
At 31 December 2013	227,359	637,081	797,606	1,260,370	169,087	181,774	3,273,277	13,076,742
At 31 December 2012	178,467	532,875	1,125,866	424,679	270,576	-	2,532,463	10,117,190

Hattha Kaksekar Limited

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

11. Intangible asset

	Computer software	
	US\$	KHR'000 (Note 4)
Cost		
At 1 January 2013	2,237,656	8,939,437
Additions	83,504	333,598
	<hr/>	<hr/>
31 December 2013	2,321,160	9,273,035
	<hr/>	<hr/>
Less: accumulated amortisation		
At 1 January 2013	304,032	1,214,608
Amortisation for the year	442,642	1,768,355
	<hr/>	<hr/>
At 31 December 2013	746,674	2,982,963
	<hr/>	<hr/>
Carrying amounts		
At 31 December 2013	1,574,486	6,290,072
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2012	1,933,624	7,724,828
	<hr/> <hr/>	<hr/> <hr/>

12. Deposits from customers

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Savings deposits	12,300,947	49,142,283	7,949,349	31,757,649
Term deposits	70,172,628	280,339,649	36,305,621	145,040,956
	<hr/>	<hr/>	<hr/>	<hr/>
	82,473,575	329,481,932	44,254,970	176,798,605
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Hattha Kaksekar Limited

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

12. Deposits from customers (continued)

The deposits from customers are analysed as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By currency:				
US Dollars	72,768,179	290,708,875	39,658,408	158,435,340
Khmer Riel	6,293,749	25,143,527	2,760,027	11,026,307
Thai Baht	3,411,647	13,629,530	1,836,535	7,336,958
	<u>82,473,575</u>	<u>329,481,932</u>	<u>44,254,970</u>	<u>176,798,605</u>
(b) By maturity:				
Within 1 month	17,068,418	68,188,330	12,012,568	47,990,209
> 1 to 3 months	10,214,765	40,807,986	7,425,180	29,663,594
> 3 to 12 months	55,154,064	220,340,486	24,788,026	99,028,164
More than 12 months	36,328	145,130	29,196	116,638
	<u>82,473,575</u>	<u>329,481,932</u>	<u>44,254,970</u>	<u>176,798,605</u>
(c) By relationship:				
External customers	81,806,967	326,818,833	43,833,261	175,113,877
Management deposits	666,608	2,663,099	421,709	1,684,728
	<u>82,473,575</u>	<u>329,481,932</u>	<u>44,254,970</u>	<u>176,798,605</u>
(d) By interest rate (per annum):				
		2013		2012
US Dollars		2.5% - 9.3%		2.5% - 9.2%
Khmer Riel		3.0% - 11.3%		3.0% - 11.2%
Thai Baht		3.0% - 11.2%		3.0% - 11.2%

Hattha Kaksekar Limited

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

13. Borrowings

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Advanced Bank of Asia Limited	-	-	200,000	799,000
Alterfin	320,000	1,278,400	1,000,000	3,995,000
BlueOrchard Finance S.A	8,024,775	32,058,976	7,091,817	28,331,810
Developing World Market*	7,473,956	29,858,454	7,541,537	30,128,440
Global Microfinance Facility	5,000,000	19,975,000	5,000,000	19,975,000
Grameen Credit Agricole Microfinance Foundation	750,000	2,996,250	1,250,000	4,993,750
Incofin	6,000,000	23,970,000	5,483,730	21,907,501
KIVA Microfunds	336,623	1,344,809	543,107	2,169,712
Nord-Sud Development	500,000	1,997,500	-	-
OIKOS	52,000	207,740	78,000	311,610
Proparco	4,615,385	18,438,463	5,000,000	19,975,000
Instituto De Crédito Oficial	4,860,300	19,416,899	4,860,300	19,416,899
Symbiotics	9,333,291	37,286,497	2,016,520	8,055,997
	<u>47,266,330</u>	<u>188,828,988</u>	<u>40,065,011</u>	<u>160,059,719</u>

* Loans from Pettelaar Ef-fectenbewaarbedrijf N.V. (in which Developing World Market is a Investment Advisor) are secured by loan portfolios to a total sum of US\$3,000,000 and THB31,762,900 (equivalent to US\$1,000,000). These loans are due to repay in April 2014.

The above amounts are analysed as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
> 1 to 3 months	4,008,637	16,014,506	1,726,000	6,895,370
> 3 to 12 months	16,497,314	65,906,770	4,048,345	16,173,138
1 to 5 years	26,760,379	106,907,712	34,290,666	136,991,211
	<u>47,266,330</u>	<u>188,828,988</u>	<u>40,065,011</u>	<u>160,059,719</u>
(b) By currency:				
US Dollars	39,434,308	157,540,060	32,931,407	131,560,969
Khmer Riel	3,058,573	12,218,999	3,058,573	12,219,000
Thai Baht	4,773,449	19,069,929	4,075,031	16,279,750
	<u>47,266,330</u>	<u>188,828,988</u>	<u>40,065,011</u>	<u>160,059,719</u>

Hattha Kaksekar Limited

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

13. Borrowings (continued)

The above amounts are analysed as follows: (continued)

(c) By interest rate (per annum):

	2013	2012
US Dollars	5.50% - 7.00%	5.50% - 8.75%
Khmer Riel	12.50%	12.50%
Thai Baht	8.75% - 9.40%	8.75% - 9.94%

14. Amounts due to shareholders

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
OIKOCREDIT	2,893,617	11,560,000	2,906,214	11,610,325
ASN-Novib Microkredietfonds (through Triple Jump)	-	-	1,066,452	4,260,476
responsAbility	10,500,000	41,947,500	6,500,000	25,967,500
	<u>13,393,617</u>	<u>53,507,500</u>	<u>10,472,666</u>	<u>41,838,301</u>

The above amounts are analysed as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	500,000	1,997,500	-	-
> 1 to 3 months	420,526	1,680,001	618,354	2,470,324
> 3 to 12 months	4,946,809	19,762,502	6,486,978	25,915,477
1 to 5 years	7,526,282	30,067,497	3,367,334	13,452,500
	<u>13,393,617</u>	<u>53,507,500</u>	<u>10,472,666</u>	<u>41,838,301</u>
(b) By currency:				
US Dollars	10,500,000	41,947,500	7,764,280	31,018,299
Khmer Riel	2,893,617	11,560,000	2,708,386	10,820,002
	<u>13,393,617</u>	<u>53,507,500</u>	<u>10,472,666</u>	<u>41,838,301</u>

Hattha Kaksekar Limited

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

14. Amounts due to shareholders (continued)

(c) By interest rate:

	2013	2012
US Dollars	6.5% - 9.25%	6.5%-9.25%
Khmer Riel	9.0%-10.70%	9.0%-10.70%

15. Provident benefits

The movements in provision for provident benefits are as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	629,295	2,514,034	419,506	1,675,927
Charge during the year	306,333	1,223,800	278,575	1,112,907
Interest earned on savings	21,602	86,300	-	-
Payments during the year	(44,712)	(178,624)	(3,924)	(15,676)
Reversal	-	-	(64,862)	(259,124)
Balance at end of year	<u>912,518</u>	<u>3,645,510</u>	<u>629,295</u>	<u>2,514,034</u>

16. Other liabilities

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest payable	1,711,587	6,837,790	911,111	3,639,888
Unused annual leave	256,741	1,025,680	244,647	977,365
Provision for annual bonus (*)	552,836	2,208,580	574,388	2,294,680
Provision for Pchum Ben bonus	139,583	557,634	112,455	449,258
Other tax payable	163,064	651,441	144,942	579,043
Supplier payable	285,299	1,139,769	564,647	2,255,765
Other payables	283,679	1,133,298	405,746	1,620,955
	<u>3,392,789</u>	<u>13,554,192</u>	<u>2,957,936</u>	<u>11,816,954</u>

(*) HKL's staff are entitled to annual bonus. The annual bonus was paid in February 2014 (2012: January and February 2013) with the maximum up to 13% of net profit (2012: maximum up to 13% of net profit) with approval by the Board of Directors.

Hattha Kaksekar Limited

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

17. Income tax

(a) Deferred tax, net

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

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deferred tax assets	219,321	876,187	220,808	882,128
Deferred tax liabilities	(247,618)	(989,234)	(365,056)	(1,458,399)
	<u>(28,297)</u>	<u>(113,047)</u>	<u>(144,248)</u>	<u>(576,271)</u>

The movement of net deferred tax liabilities is as follows:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At beginning of year	(144,248)	(576,271)	174,875	698,625
Credited/(debited) to income statement	<u>115,951</u>	<u>463,224</u>	<u>(319,123)</u>	<u>(1,274,896)</u>
At end of year	<u>(28,297)</u>	<u>(113,047)</u>	<u>(144,248)</u>	<u>(576,271)</u>

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

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Provision for provident benefits Khmer New Year and Pchum Ben bonuses	182,504	729,103	125,859	502,807
Unrealised exchange losses	42,328	169,099	33,923	135,522
Depreciation and amortisation	(5,511)	(22,016)	(77,265)	(308,674)
	<u>(247,618)</u>	<u>(989,233)</u>	<u>(226,765)</u>	<u>(905,926)</u>
	<u>(28,297)</u>	<u>(113,047)</u>	<u>(144,248)</u>	<u>(576,271)</u>

Hattha Kaksekar Limited

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

17. Income tax (continued)

(b) Current income tax liability

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	561,681	2,243,916	721,542	2,882,560
Current income tax expense	1,211,847	4,841,329	628,736	2,511,801
Income tax paid	(931,346)	(3,720,728)	(788,597)	(3,150,445)
Balance at end of year	<u>842,182</u>	<u>3,364,517</u>	<u>561,681</u>	<u>2,243,916</u>

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

(c) Income tax expense

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	1,211,847	4,841,329	628,736	2,511,801
Deferred tax (income)/expense	(115,951)	(463,224)	319,123	1,274,896
	<u>1,095,896</u>	<u>4,378,105</u>	<u>947,859</u>	<u>3,786,697</u>

Hattha Kaksekar Limited

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

17. Income tax (continued)

(c) Income tax expense (continued)

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

	2013			2012		
	US\$	KHR'000 (Note 4)	%	US\$	KHR'000 (Note 4)	%
Profit before income tax	5,355,891	21,396,785		5,366,232	21,438,096	
Income tax using statutory rate	1,071,178	4,279,356	20%	1,073,246	4,287,619	20%
Non-deductible expenses/ non-taxable income	43,277	172,891	0.8%	(444,510)	(1,775,818)	(8.28)%
Under provision in prior year	97,392	389,082	0.36%	-	-	-
Temporary difference	(115,951)	(463,224)	(2.16)%	319,123	1,274,896	5.95%
Income tax expense	1,095,896	4,378,105	21%	947,859	3,786,697	17.67%

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

18. Share capital

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Registered, issued and fully paid ordinary share of US\$100 each	4,036,800	16,127,016	4,036,800	16,127,016

Hattha Kaksekar Limited

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

18. Share capital (continued)

The details of shareholding are as follows:

	2013			2012		
	% of Ownership	Number of shares	Amount US\$	% of Ownership	Number of shares	Amount US\$
OIKOCREDIT	20.02	8,083	808,300	20.02	8,083	808,300
ASN-Novib						
Microkredietfonds						
(Triple Jump)	17.62	7,113	711,300	17.62	7,113	711,300
NORFUND	18.93	7,641	764,100	17.62	7,111	711,100
HKNGO	15.46	6,239	623,900	15.46	6,239	623,900
responsAbility	10.17	4,106	410,600	10.17	4,106	410,600
responsAbility						
Participations AG	8.78	3,545	354,500	-	-	-
SIDI	-	-	-	10.09	4,075	407,500
HKSA	7.64	3,086	308,600	7.64	3,086	308,600
Mr. Dy Davuth	1.38	555	55,500	1.38	555	55,500
	<u>100</u>	<u>40,368</u>	<u>4,036,800</u>	<u>100</u>	<u>40,368</u>	<u>4,036,800</u>

On 10 September 2013, the responsAbility Participations AG and NORFUND acquired of 3,545 shares and 530 shares from the Solidarité Internationale pour le Développement et l'Investissement (SIDI) respectively. Except for the shareholding structure changes, the total number of shares registered, authorised and paid up as at 31 December 2013 remain unchanged from the previous year.

On 27 December 2013, the NBC approved in principal to the Company's request dated 31 October 2013 to the plan to revise the Company's share capital and shareholding structure as follows:

- Increase share capital from US\$4,036,800 to US\$5,257,068 and change the shareholding structure to reflect this new capital injection; and
- Split nominal share value from US\$100 per share to US\$1 per share.

The Amendment of Articles of Incorporation was executed by the Company shareholders dated 31 January 2014 and is in the process to obtain final approval from the NBC as at the date of this report.

During the year, the Board of Directors has approved for the Company to set up the Management Equity Plan ("MEP") in which HKL's senior management is given a share purchase option up to 357,742 shares, including bonus shares of 1.8 for each purchased share (equivalent to 229,977 shares), with a nominal value of USD1 each share over the five years from 2013 to 2017.

Hattha Kaksekar Limited

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

18. Share capital (continued)

The bonus shares will have a vesting period of three years (i) 10% at the first year anniversary of the purchase date, (ii) 45% at the second year anniversary, and (iii) 45% at the third year anniversary.

In December 2013, the Company's senior management has exercised the options by purchasing the Company's shares through HKSA amounting to 25,600 shares for US\$128,571. The amount was deposited to HKSA's bank account on 31 December 2013. The Company's senior management are entitled to bonus shares of 46,080 shares.

On 21 January 2014, the shareholders agreed to modify the approved MEP policy as follows:

- The 2013 MEP share allocation, related to the financial year 2012, is replaced by a special allocation of 25,600 shares to the MEP participants in January 2014, at USD5.0223 per share; and
- The next allocations will take place in 2014, 2015, 2016 and 2017 at a maximum of 25,553 shares each year based on performance of the financial years 2013 to 2016.

19. Subordinated debts

(a) Subordinated debts designated under liability

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
BlueOrchard Finance S.A	4,000,000	15,980,000	-	-
ASN-Novib Mikrokredietfonds	2,000,000	7,990,000	2,000,000	7,990,000
	<u>6,000,000</u>	<u>23,970,000</u>	<u>2,000,000</u>	<u>7,990,000</u>

On 2 April 2013, HKL entered into Loan agreement with BlueOrchard Finance S.A for the sum of US\$4 million to finance the expansion of the HKL's loan portfolio. The repayment should be no later than 4 April 2019.

On 23 December 2010, HKL entered into subordinated debt agreement with ASN-Novib Mikrokredietfonds (represented by Triple Jump) for the sum of US\$2 million to finance the expansion of the HKL's loan portfolio. The repayment should be no later than 15 May 2016. Repayment of the debt by the HKL to ASN-Novib Mikrokredietfonds and BlueOrchard Finance S.A shall be subordinate and junior to other senior obligations of the HKL to the extent required by the National Bank of Cambodia because these loans had been approved by National Bank of Cambodia for inclusion in Net Worth calculation.

Hattha Kaksekar Limited

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

19. Subordinated debts (continued)

(b) Subordinated debts designated under equity

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Hattha Kaksekar				
Non-Government				
Organisation ("HKNGO") (i)	415,743	1,660,893	415,743	1,660,893
Ministry of Economy and				
Finance - Agence Francaise				
de Development ("AFD") (ii)	313,576	1,252,736	313,576	1,252,736
	<u>729,319</u>	<u>2,913,629</u>	<u>729,319</u>	<u>2,913,629</u>

(i) Hattha Kaksekar Non-Government Organisation ("HKNGO") made the subordinated debt to HKL, following the transfer and assignment of all micro-finance related assets, liabilities and operations of the NGO to the HKL with the terms and conditions of the subordinated loan agreement dated 27 April 2001 as follows:

- 1) The subordinated debt will not be repayable to HKNGO unless HKL ceases to provide credit to the rural population of Cambodia or unless HKL decides to repay all or part of the debt;
- 2) The debt is a non-distributable fund; and
- 3) Being a public grant, it will be considered as "Tier II Capital" in the context of Article 15 of Prakas No. B700-006 issued by the Central Bank, and shall be included in computing HKL's capital adequacy ratio.

(ii) HKL also accepts liability for repaying the total value of the debt to the Ministry of Economy and Finance of the Royal Government of Cambodia ("RGC") under the terms and conditions of the subordinated debt agreement dated 27 December 2000, most notably, that the debt will not be repayable to the RGC unless HKL ceases to provide credit to the rural population of Cambodia or unless it decides to repay all or part of the debt.

(c) Interest rates

The amounts of subordinated debts bear interest rates per annum as set out below:

	2013	2012
US Dollars	0.5% - 10.85%	0.5% - 10.75%

Hattha Kaksekar Limited

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

20. Interest income

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to customers	29,696,060	118,635,760	23,166,004	92,548,186
Deposits with banks	36,536	145,961	34,626	138,331
	<u>29,732,596</u>	<u>118,781,721</u>	<u>23,200,630</u>	<u>92,686,517</u>

21. Interest expense

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Borrowings	5,380,829	21,496,412	4,637,706	18,527,635
Deposits from customers	4,015,536	16,042,066	1,936,895	7,737,896
	<u>9,396,365</u>	<u>37,538,478</u>	<u>6,574,601</u>	<u>26,265,531</u>

22. Other operating income

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Other interest and penalty income	57,854	231,127	207,264	828,020
Gains on disposals of property and equipment	-	-	14,667	58,595
Foreign exchange gain	27,670	110,541	168,586	673,501
Commission fees	87,038	347,717	121,150	483,994
Remittance fees	68,036	271,804	65,603	262,084
Other income	383,021	1,530,169	162,914	650,841
	<u>623,619</u>	<u>2,491,358</u>	<u>740,184</u>	<u>2,957,035</u>

Hattha Kaksekar Limited

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

23. General and administrative expenses

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Personal expenses (*)	8,034,958	32,099,657	6,831,289	27,291,000
Rental expenses	1,487,658	5,943,194	1,099,962	4,394,348
Travelling and vehicle operating expenses	924,350	3,692,778	936,174	3,740,015
Depreciation and amortisation (Notes 10 and 11)	1,642,111	6,560,233	815,630	3,258,442
Marketing and advertising	577,736	2,308,055	511,019	2,041,521
Security expenses	321,068	1,282,667	268,319	1,071,934
Office supplies and equipment	429,929	1,717,566	349,182	1,394,982
Utilities	328,038	1,310,512	232,464	928,694
Consultancy and professional fees	99,301	396,707	90,677	362,255
Communication	380,938	1,521,847	152,419	608,914
Bank charges	63,557	253,910	66,852	267,074
Repairs and maintenance	285,662	1,141,220	140,992	563,263
License fees	32,461	129,682	20,097	80,288
Board and shareholder meetings	145,002	579,283	127,722	510,249
Others	340,262	1,359,348	42,115	168,249
	<u>15,093,031</u>	<u>60,296,659</u>	<u>11,684,913</u>	<u>46,681,228</u>

(*) Personal expenses are analysed as below:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	7,107,440	28,394,223	6,009,013	24,006,007
Unused annual leave	229,361	916,297	250,521	1,000,831
Provident benefits (Note 15)	306,333	1,223,800	278,575	1,112,907
Training costs	180,750	722,096	135,981	543,244
Staff uniforms	91,538	365,694	53,110	212,174
Insurance	72,411	289,282	49,810	198,991
Other staff benefits	47,125	188,265	54,279	216,846
	<u>8,034,958</u>	<u>32,099,657</u>	<u>6,831,289</u>	<u>27,291,000</u>

The Company's senior management are entitled to the share purchase option as disclosed in Note 18.

Hattha Kaksekar Limited

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

24. Dividends

On 24 March 2013, the Board of Directors and shareholders declared the dividend of US\$883,675 from the Company's 2012 net profit (2012: US\$157,259). The dividend amounts of US\$883,675 were paid to the shareholders during 2013.

25. Net cash generated from operating activities

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	5,355,891	21,396,785	5,366,232	21,438,096
Adjustments for non-cash incomes and expenses:				
Depreciation and amortisation	1,642,111	6,560,234	815,630	3,258,442
Allowance for bad and doubtful loans	510,928	2,041,157	315,068	1,258,697
Net interest income	-	-	(16,626,029)	(66,420,986)
Provident benefits	306,333	1,223,800	278,575	1,112,907
Interest on provident benefits	21,602	86,300	-	-
Loss/(gain) on disposals of property and equipment	350	1,398	(14,667)	(58,595)
	<u>7,837,215</u>	<u>31,309,674</u>	<u>(9,865,191)</u>	<u>(39,411,439)</u>
Changes in:				
Deposits and placements with National Bank of Cambodia	(3,050,000)	(12,184,750)	(2,544,999)	(10,167,271)
Loans to customers	(42,922,339)	(171,474,744)	(27,562,367)	(110,111,656)
Other assets	(782,955)	(3,127,905)	(351,790)	(1,405,401)
Deposits from customers	38,218,605	152,683,327	28,479,340	113,774,963
Other liabilities	434,853	1,737,238	747,612	2,986,710
Interest received	-	-	22,624,406	90,384,502
Interest paid	-	-	(6,515,973)	(26,031,312)
	<u>(264,621)</u>	<u>(1,057,160)</u>	<u>5,011,038</u>	<u>20,019,096</u>
Income tax paid	(931,346)	(3,720,728)	(788,597)	(3,150,445)
Provident benefits paid	(44,712)	(178,624)	(3,924)	(15,676)
	<u>(1,240,679)</u>	<u>(4,956,512)</u>	<u>4,218,517</u>	<u>16,852,975</u>
Net cash (used in)/generated from operating activities	<u>(1,240,679)</u>	<u>(4,956,512)</u>	<u>4,218,517</u>	<u>16,852,975</u>

Hattha Kaksekar Limited

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

26. Cash and cash equivalents

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	5,201,162	20,778,642	2,036,319	8,135,094
Balances with the NBC	533,463	2,131,185	1,803,370	7,204,463
Balances with banks	14,221,930	56,816,610	6,143,087	24,541,633
	<u>19,956,555</u>	<u>79,726,437</u>	<u>9,982,776</u>	<u>39,881,190</u>

27. Commitments and contingencies

(a) Lease commitments

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

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
No later than 1 year	1,237,172	4,942,502	1,114,457	4,452,256
Later than 1 year and no later than 5 years	4,030,664	16,102,503	3,089,172	12,341,242
Later than 5 years	1,753,294	7,004,410	2,488,986	9,943,499
	<u>7,021,130</u>	<u>28,049,415</u>	<u>6,692,615</u>	<u>26,736,997</u>

(b) Taxation contingencies

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

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

Hattha Kaksekar Limited

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

28. Related party transactions and balances

(a) Key management compensation

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Board of Directors				
Fees and related expenses	145,002	579,283	127,722	510,249
Key management				
Salaries and				
short-term benefits	928,165	3,708,019	875,088	3,495,977
Post-employment benefits	46,067	184,038	46,526	185,871
	974,232	3,892,057	921,614	3,681,848
Post-employment benefit payable	183,340	732,443	137,273	548,406

There were 17 key management personnel as at 31 December 2013 (2012: 16 key management personnel).

(b) Loans to key management

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to key management	303,456	1,212,307	213,907	854,558
Interest income from key management	28,447	113,646	17,858	71,343

Loans are provided to key management of the Company with a three years term at interest rates ranging between 10% to 15.6% per annum.

Hattha Kaksekar Limited

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

28. Related party transactions and balances (continued)

(c) Deposits from key management

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deposits from key management	666,608	2,663,099	421,709	1,684,728
Interest expenses to key management	20,907	83,523	10,199	40,745

Deposits from key management of the Company bear interest rates ranging from 3.5% to 11.2% per annum (2012: 3.5% to 11% per annum) depending on the terms and currency of deposits.

(d) Transactions with shareholders

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASN-Novib Mikrokredietfonds (Triple Jump)				
Principal repayments	1,066,452	4,260,476	-	-
Interest expense	227,548	909,055	279,427	1,116,311
HKNGO				
Interest expense	29,102	116,262	29,102	116,262
NORFUND				
Principal repayments	-	-	2,122,153	8,478,000
Interest expense	-	-	194,177	775,737
OIKOCREDIT				
Principal received	1,539,424	6,150,000	1,026,283	4,100,000
Principal repayments	1,552,021	6,200,323	1,431,953	5,720,650
Interest expense	402,922	1,609,672	308,668	1,233,129
responsAbility				
Principal received	9,000,000	35,955,000	3,000,000	11,985,000
Principal repayments	5,000,000	19,975,000	500,000	1,997,500
Interest expense	528,844	2,112,731	345,313	1,379,525

Hattha Kaksekar Limited

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

29. Financial risk management

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

(a) Credit risk

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

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

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

(i) Credit risk measurement

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

(ii) Risk limit control and mitigation policies

The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to individual customers.

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

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. Refer to Note 3(g) for detail.

(iv) Exposure to credit risk:

	2013		2012	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to customers				
Neither past due nor impaired	145,582,802	581,603,294	102,717,948	410,358,202
Past due but not impaired	4,039	16,135	4,337	17,326
Individually impaired	80,641	322,161	115,822	462,709
	<u>145,667,482</u>	<u>581,941,590</u>	<u>102,838,107</u>	<u>410,838,237</u>

Impaired loans to customers

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(g).

Past due but not impaired loans to customers

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

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

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

(c) Market risk

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

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

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Khmer Riel and Thai Baht. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency exchange risk

Concentration of currency risk

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

31 December 2013	US\$ equivalent			Total US\$
	US\$	KHR	THB	
Assets				
Cash on hand	4,319,073	644,224	237,865	5,201,162
Deposits and placements with National Bank of Cambodia	7,801,740	78,874	-	7,880,614
Deposits and placements with banks	10,147,690	2,356,621	1,717,619	14,221,930
Loans to customers	125,850,028	11,300,469	8,516,985	145,667,482
Other assets	1,790,726	249,535	164,742	2,205,003
Total financial assets	149,909,257	14,629,723	10,637,211	175,176,191
Liabilities				
Deposits from customers	72,768,179	6,293,749	3,411,647	82,473,575
Borrowings	39,434,308	3,058,573	4,773,449	47,266,330
Other liabilities	2,755,542	290,530	182,367	3,228,439
Subordinated loans	6,000,000	-	-	6,000,000
Amount due to shareholders	10,500,000	2,893,617	-	13,393,617
Total financial liabilities	131,458,029	12,536,469	8,367,463	152,361,961
Net financial asset position	18,451,228	2,093,254	2,269,748	22,814,230
31 December 2012				
Total financial assets	100,197,307	7,229,801	11,506,510	118,933,618
Total financial liabilities	(84,803,563)	(6,020,328)	(8,781,751)	(99,605,641)
Net financial asset position	15,393,744	1,209,473	2,724,759	19,327,977

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(c) Market risk (continued)

(ii) *Interest rate risk*

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

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

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2013	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	5,201,162	5,201,162	-
Balance with National Bank of Cambodia	-	-	-	-	403,680	7,476,934	7,880,614	0.12%
Deposits and placements with banks	12,954,648	-	-	-	-	1,267,282	14,221,930	0.39%
Loans to customers								
- Performing	1,077,112	1,810,955	26,481,607	115,299,887	917,280	-	145,586,841	24.86%
- Non performing	-	-	-	-	-	80,641	80,641	-
- Allowance	-	-	-	-	-	(1,472,912)	(1,472,912)	-
Other assets	-	-	-	-	-	2,205,003	2,205,003	-
	<u>14,031,760</u>	<u>1,810,955</u>	<u>26,481,607</u>	<u>115,299,887</u>	<u>1,320,960</u>	<u>14,758,110</u>	<u>173,703,279</u>	
Liabilities								
Deposits from customers	17,068,418	10,214,765	55,154,064	19,066	4,008	13,254	82,473,575	6.82%
Borrowings	-	4,008,637	16,497,314	21,604,275	4,819,481	336,623	47,266,330	8.39%
Other liabilities	-	-	-	-	-	3,228,439	3,228,439	-
Subordinated debts	-	-	-	2,000,000	4,000,000	-	6,000,000	9.38%
Amount due to shareholders	500,000	420,526	4,946,809	7,526,282	-	-	13,393,617	10.01%
	<u>17,568,418</u>	<u>14,643,928</u>	<u>76,598,187</u>	<u>31,149,623</u>	<u>8,823,489</u>	<u>3,578,316</u>	<u>152,361,961</u>	
Maturity gap	<u>(3,536,658)</u>	<u>(12,832,973)</u>	<u>(50,116,580)</u>	<u>84,150,264</u>	<u>(7,502,529)</u>	<u>11,179,794</u>	<u>21,341,318</u>	

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2012	Up to 1 month US\$	>1 – 3 months US\$	> 3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	2,036,319	2,036,319	-
Balance with National Bank of Cambodia	-	-	-	-	403,680	5,696,841	6,100,521	0.2%
Deposits and placements with banks	5,630,614	-	-	-	-	512,473	6,143,087	0.6%
Loans to customers								
- Performing	990,711	1,600,103	24,436,535	75,164,687	530,249	-	102,722,285	26.61%
- Non performing	-	-	-	-	-	115,822	115,822	-
- Allowance	-	-	-	-	-	(1,054,948)	(1,054,948)	-
Other assets	-	-	-	-	-	1,815,584	1,815,584	-
	<u>6,621,325</u>	<u>1,600,103</u>	<u>24,436,535</u>	<u>75,164,687</u>	<u>933,929</u>	<u>9,122,091</u>	<u>117,878,670</u>	
Liabilities								
Deposits from customers	12,012,568	7,425,180	24,788,026	15,834	-	13,362	44,254,970	6.39%
Borrowings	-	1,726,000	4,048,345	27,348,798	6,398,761	543,107	40,065,011	8.42%
Other liabilities	-	-	-	-	-	2,812,995	2,812,995	-
Subordinated debts	-	-	-	2,000,000	-	-	2,000,000	9.31%
Amount due to shareholders	-	618,354	6,486,978	3,367,334	-	-	10,472,666	10.86%
	<u>12,012,568</u>	<u>9,769,534</u>	<u>35,323,349</u>	<u>32,731,966</u>	<u>6,398,761</u>	<u>3,369,464</u>	<u>99,605,642</u>	
Maturity gap	<u>(5,391,243)</u>	<u>(8,169,431)</u>	<u>(10,886,814)</u>	<u>42,432,721</u>	<u>(5,464,832)</u>	<u>5,752,627</u>	<u>18,273,028</u>	

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate liabilities at fair value through profit or loss, and the Company does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

(d) Liquidity risk

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

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

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

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(d) Liquidity risk (continued)

31 December 2013	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Cash on hand	5,201,162	-	-	-	-	-	5,201,162
Balance with National Bank of Cambodia	533,463	-	-	-	-	7,347,151	7,880,614
Deposits and placements with banks	14,221,930	-	-	-	-	-	14,221,930
Loans to customers	9,809,463	20,556,471	75,373,496	73,704,022	816,528	-	180,259,980
Other assets	2,138,751	-	-	-	21,552	44,700	2,205,003
	<u>31,904,769</u>	<u>20,556,471</u>	<u>75,373,496</u>	<u>73,704,022</u>	<u>838,080</u>	<u>7,391,851</u>	<u>211,241,689</u>
Liabilities							
Deposits from customers	8,505,064	17,676,383	59,478,274	37,294	8,358	-	85,705,373
Borrowings	426,850	4,748,509	18,650,261	24,789,483	5,843,187	-	54,458,290
Other liabilities	2,294,552	646,577	287,310	-	-	-	3,228,439
Subordinated debts	-	-	726,776	4,281,429	4,255,129	-	9,263,334
Amount due to shareholders	579,397	574,416	5,799,203	8,593,256	-	-	15,546,272
	<u>11,805,863</u>	<u>23,645,885</u>	<u>84,941,824</u>	<u>37,701,462</u>	<u>10,106,674</u>	<u>-</u>	<u>168,201,708</u>
Maturity gap	<u>20,098,906</u>	<u>(3,089,414)</u>	<u>(9,568,328)</u>	<u>36,002,560</u>	<u>(9,268,594)</u>	<u>7,391,851</u>	<u>41,566,981</u>

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(d) Liquidity risk (continued)

31 December 2012	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Cash on hand	2,036,319	-	-	-	-	-	2,036,319
Balance with National Bank of Cambodia	1,803,370	-	-	-	-	4,297,151	6,100,521
Deposits and placements with banks	6,143,087	-	-	-	-	-	6,143,087
Loans to customers	8,137,837	15,813,175	57,404,119	44,030,063	463,869	-	127,003,637
Other assets	1,777,322	-	-	-	21,552	16,710	1,815,584
	<u>19,897,935</u>	<u>15,813,175</u>	<u>57,404,119</u>	<u>44,030,063</u>	<u>485,421</u>	<u>4,313,861</u>	<u>141,944,574</u>
Liabilities							
Deposits from customers	12,079,957	7,425,746	24,789,709	29,224	-	-	44,324,636
Borrowings	447,536	2,009,102	6,030,870	31,123,870	7,791,302	-	47,402,680
Other liabilities	854,292	1,602,071	267,687	-	-	88,944	2,812,994
Subordinated debts	-	-	185,000	2,385,712	-	-	2,570,712
Amount due to shareholders	65,000	716,168	7,051,302	3,703,954	-	-	11,536,424
	<u>13,446,785</u>	<u>11,753,087</u>	<u>38,324,568</u>	<u>37,242,760</u>	<u>7,791,302</u>	<u>88,944</u>	<u>108,647,446</u>
Maturity gap	<u>6,451,150</u>	<u>4,060,088</u>	<u>19,079,551</u>	<u>6,787,303</u>	<u>(7,305,881)</u>	<u>4,224,917</u>	<u>33,297,128</u>

Hattha Kaksekar Limited

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

29. Financial risk management (continued)

(e) Capital management

(i) *Regulatory capital*

The Company's lead regulator, the NBC, sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

(ii) *Capital allocation*

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

30. Fair values of financial assets and liabilities

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

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