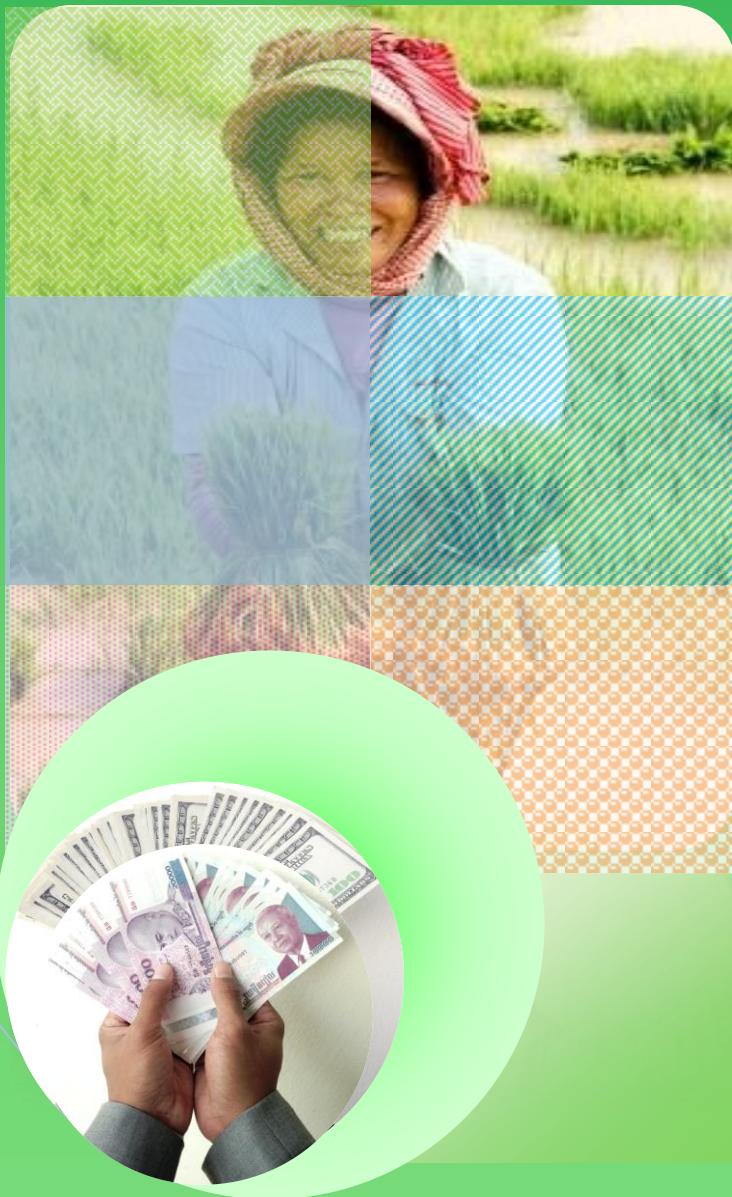




ក្រសួង នៅលិខ្ធាល ម៉ោងក្រុងហ្មាយ នៃនាគ អិលជីអិ  
GREEN CENTRAL MICRO FINANCE LTD

ស្ថាយភាពខំរបៀបឆ្នាំ ២០១២

ANNUAL REPORT 2012





## GREEN CENTRAL MICRO FINANCE BUSINESS OFFICES



**HEAD OFFICE :** 640 E,F, Street 271, Sangkat Psar Deum Thkov, Khan Chamkamorn, Phnom Penh.  
Tel: (855-23) 99 44 55  
Fax: (855-23) 99 44 77



**Kien Svay POST OFFICE :** 82, National Road No.1, Phum Slab Ta Aon, Khum Korkir, Srok Kien Svay, Kandal Province.  
Tel: (855-23) 72 14 04



**Dangkor POST OFFICE :** 331A, Confederation de la Russie (St. 110), Sangkat Kakap, Khan Dangkor, Phnom Penh.  
Tel: (855-23) 99 44 66



**Ang Snuol POST OFFICE :** 331A, Confederation de la Russie (St. 110), Sangkat Kakap, Khan Dangkor, Phnom Penh.  
Tel: (855-23) 99 44 66

## CORPORATE INFORMATION

Company : GREEN CENTRAL MICRO FINANCE LTD

Registration No. : Co-4987E/2008

Registered office : No. 640E,F, Street 271, Village 06  
Sangkat Phsar Doeum Thkov,  
Khan Chamcarmon, Phnom Penh

Shareholders : Common Central Holding Ltd

Board of Directors	: Mr. Koo Bon Kwang	Chairman
	Ms. Ai Cha Cheng Choi	Director
	Mr. Choi Geum Il	Director
	Ms. Kim Sook Yuh	Director
	Miss. Seo Hyun Sook	Independent Director

Executive Management : Ms. Ai Cha Cheng Choi President and CEO

Auditors : PricewaterhouseCoopers (Cambodia) Limited

## GCMF BACKGROUND



Green Central Micro Finance Ltd. ("GCMF") is financial institution licensed by the NBC on 24 October 2008, and GCMF established with registered capital of 400 Million Riel (US\$100,000.00) by main Korean Shareholder with 100% shared called Common Central Holding Ltd. The overall purpose of the institution is to strengthen and expand healthy microfinance services to Cambodian people and to participate in development of micro and small enterprises be more active to boost Cambodian economy growth.

### The Green Central Micro Finance Capital Increase Stages



Green Central Micro Finance has been operating successfully for over four years and has established a very good track recorded:

- As at 31 December 2012: Client population 2,904 clients
- As at 31 December 2012: Loans outstanding US\$ 5,483,206
- As at 31 December 2012: The Company had 90 employees (31 December 2011: 66 employees)

# **CONTENTS**

---

	Page
VISION AND MISSION	1
MESSAGE FROM CHAIRMAN	2
MESSAGE FROM CEO	3
FINANCIAL , HUMAN RESOURCE AND OPERATION HIGHLIGHT	4
ORGANIZATION CHART	8
BOARD OF DIRECTOR	9
EXECUTIVE MANAGEMENT	10
PRODUCTS AND SERVICES	11
TRAINING, SOCIAL ACTIVITIES AND ANNUAL WORKSHOP	12
INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012	14
DIRECTOR'S REPORT	15
INDEPENDENT AUDITOR'S REPORT	18
BALANCE SHEET	20
STATEMENT OF INCOME	21
STATEMENT OF CHANGES IN EQUITY	22
STATEMENT OF CASH FLOWS	23
NOTES TO THE FINANCIAL STATEMENT	24



## Vision

Serving its services, the Green Institution of Central Micro Finance Ltd is going to expand its operation to be the leading micro-finance institution in the Kingdom of Cambodia.

## Mission

The institution will provide small loan services to the general public, who want to pursue new business or expand their existing ones successfully.

The institution will provide trust, honesty, and forever smile with high morality and professionalism.

The institution will try its best to gain trust and love from the public in the financial markets of the Kingdom of Cambodia.

## MESSAGE FROM CHAIRMAN

### MR. KOO BON KWANG



I am very happy to report on another year of achievement of Green Central Micro Finance Ltd. Year 2012 is the 5<sup>th</sup> operation year of Green Central Micro Finance Ltd and is a year of over expected achievement and strong stand at the end of this year.

We believe Green Central Micro Finance Ltd gives the best effort to people that has not yet access to financial service and provides continuity income to the institution by always maintaining our mission.

Other than this, we achieve the first step of vision in becoming a financial solver for those people who has not yet access to financial service. That is: the opening of two more new post services. For year 2013 is the year of significant events, we are planning new development plan for other serving products and also applying deposit license as well as opening new post services around Phnom Penh and provinces in order to providing our financial service to rural area.

In overall, I would like to express my thankfulness to all employees, the management, board of director of Green Central Micro Finance Ltd for hard working in improving of financial service quality to people that has not yet access to financial service in Cambodia. Client is the center of we work for and we trying our best to serve for their welfare.

A handwritten signature in blue ink, appearing to read "Koo Bon Kwang".

Mr. Koo Bon Kwang,  
Chairman of the Board of Director

## MESSAGE FROM CEO

### MRS. AI CHA CHENG CHOI



In 2012, Green Central Micro Finance Ltd has remarkably progressed in achieving of financial and social target. Green Central Micro Finance Ltd has made magnificent business loan service in 2012.

At the end of 2012, Green Central Micro Finance Ltd started planning new more services and new more post services at suburb and provinces for the year 2013 in order to transform from a lending institution to be a large financial institution in Cambodia.

This coming year, 2013, it will bring more competitions as well as new opportunity for Green Central Micro Finance Ltd to be a large financial service institution and to be a part for helping people and society in order to improve their living standard and achieve the mission of Green Central Micro Finance Ltd.

I would like to take this opportunity to express my deep thank to Mr. Koo Bon Kwang, board of director, that gives a strong leadership strategies as well supports to Green Central Micro Finance Ltd.

I would like to express my exited to hard performance of all employees that is the important person in achieving Green Central Micro Finance Ltd's goal.

I would like to express my gratefulness to National Bank of Cambodia for supporting and guiding to the institution that lead to achieve this outcome.

A handwritten signature in blue ink, appearing to read "eis".

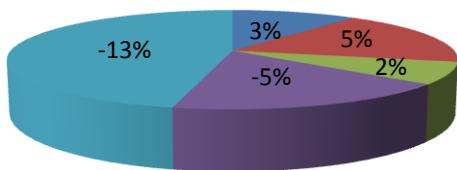
Ms. Ai Cha Cheng Choi  
President and CEO

## FINANCIAL HIGHLIGHTS

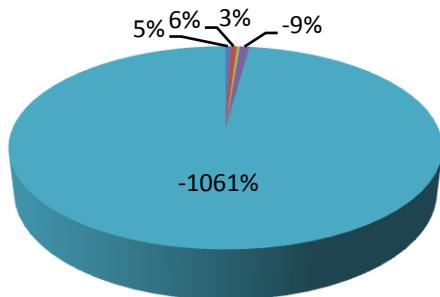
AS AT 31 DECEMBER 2012

OPERATING RESULT (US\$)	2012	2011	2010	2009	2008
Profit before income tax	212,022	261,677	90,547	(59,458)	(84,184)
Profit after income tax	189,847	233,195	66,387	(74,247)	(88,752)
<b>KEY BALANCE SHEET DATA (US\$)</b>					
Total Assets	6,016,398	5,105,235	3,114,017	1,507,422	702,362
Loans and advances	5,483,206	4,656,464	2,846,594	1,255,558	308,435
Total Liabilities	2,189,968	1,468,652	1,210,629	670,421	693,998
Paid -up Capital	3,500,000	3,500,000	2,000,000	1,000,000	98,015
Shareholder's Equity	3,826,430	3,636,583	1,903,388	837,001	8,364
<b>FINANCIAL RATIO (%)</b>					
Return on Assets (ROA)	3	5	2	(5)	(13)
Return on Equity (ROE)	5	6	3	(9)	(1,061)
Gross Yield	20	15	10	8	1

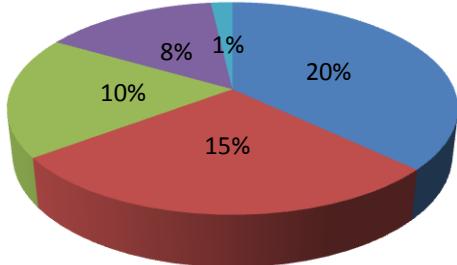
**Return on Assets (ROA)**



**Return on Equity (ROE)**



**Gross Yield**



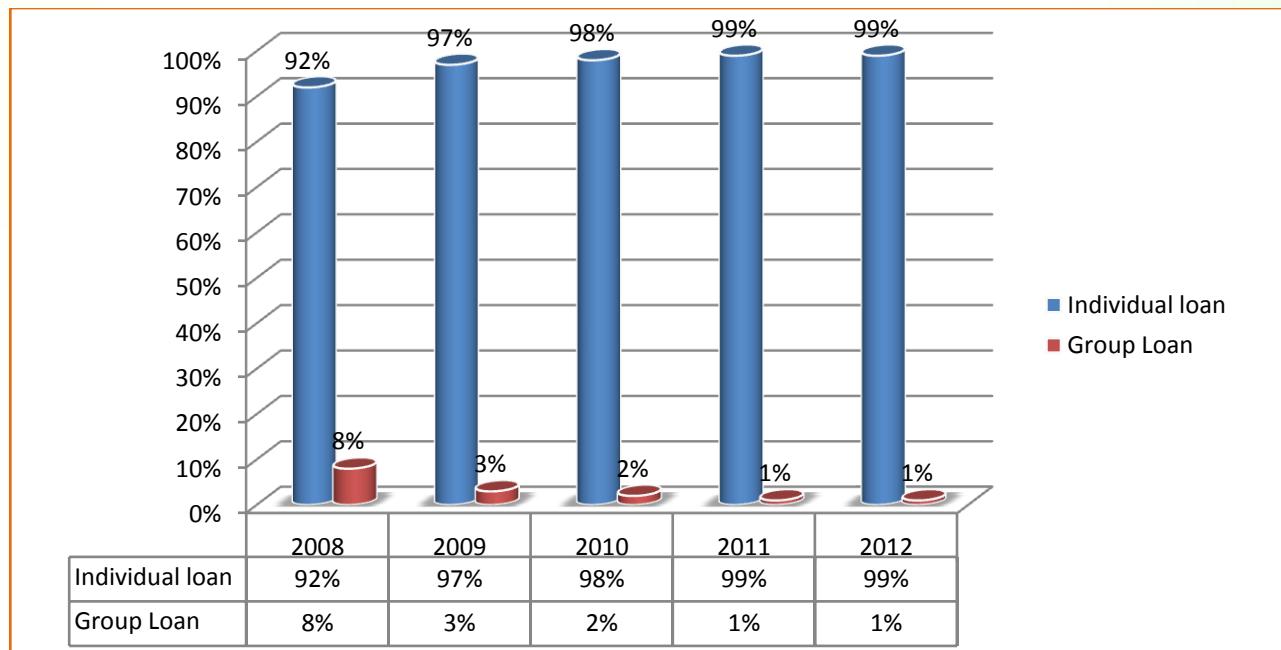
## HUMAN RESOURCE HIGHLIGHT

POSITIONS	2008	2009	2010	2011	2012
Chairman	1	1	1	1	1
Board of Director	0	0	0	0	1
Independent Board Director	0	0	0	0	3
President& CEO	0	0	0	1	1
Vice-President & CEO	0	0	0	0	1
General Manager	0	0	0	1	1
Operation Department Manager	1	1	1	1	1
Credit Risk Manager	0	1	0	1	1
Credit Control officer	0	0	1	1	1
Lending Manager	0	0	0	1	1
Deputy Lending Manager	0	0	0	0	2
Chief of Credit Officer	0	0	0	0	3
Credit Team Leader Officer and Credit officer	7	13	17	27	29
Human Resource and Administration Manager	0	0	1	1	1
Information Service Officer	0	1	1	1	1
Administrator	1	1	0	3	4
Driver	1	1	1	1	2
Security Guard	1	1	1	4	9
Cleaner	1	1	1	4	6
IT Department Manager	0	0	0	1	1
IT officer	2	2	2	2	1
Internal Audit Officer	0	0	0	0	1
Finance Department Manager	0	0	0	0	1
Chief Financial Account	0	0	1	1	1
Accountant	1	2	1	3	4
Cash Management Manager	0	0	1	1	1
Cashier	1	2	2	6	8
Service Post Manager	0	0	0	2	3
<b>TOTAL STAFF</b>	<b>18</b>	<b>28</b>	<b>33</b>	<b>66</b>	<b>90</b>
Female	4	6	6	19	25
Male	14	22	27	47	65

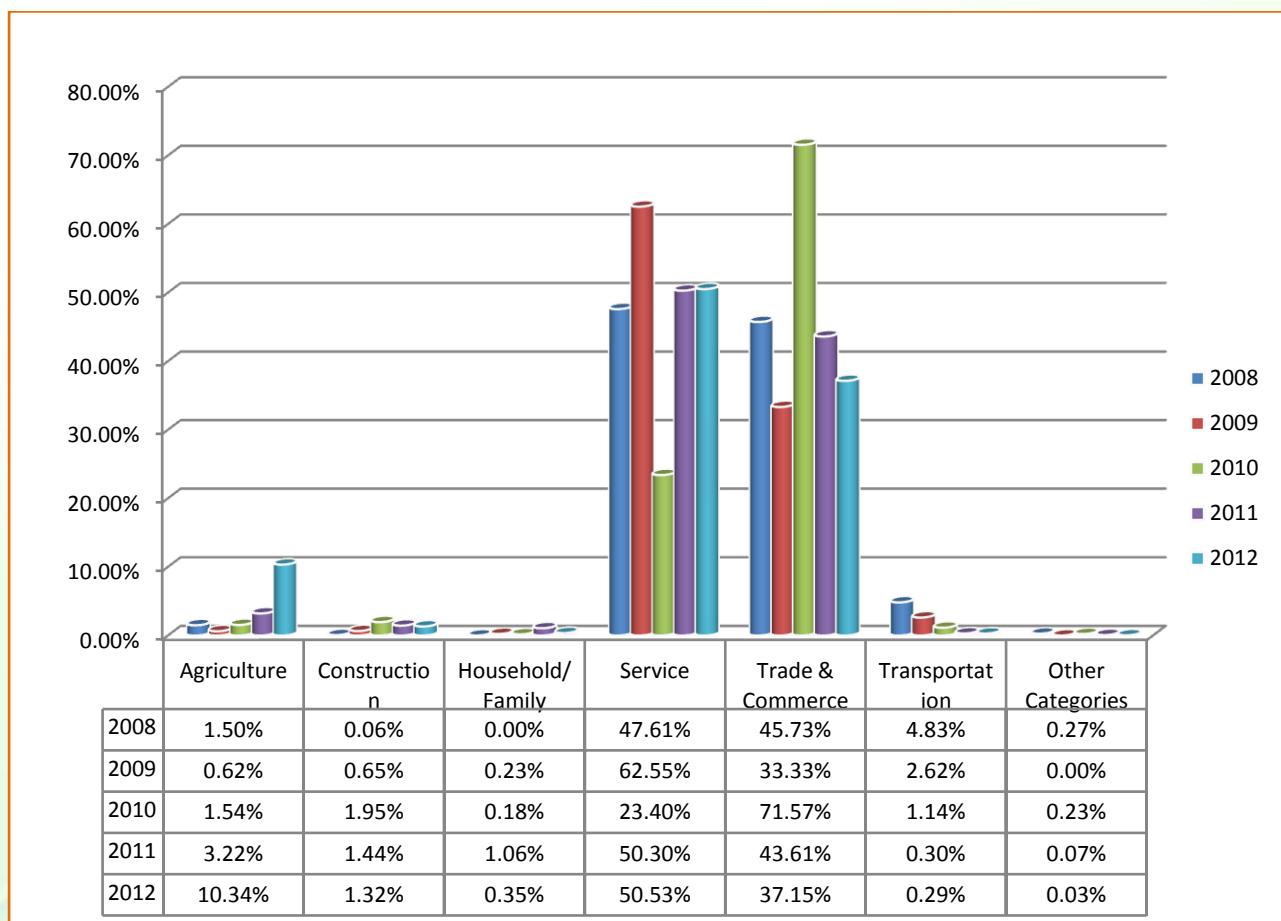
## OPERATION HIGHLIGHT

	2008	2009	2010	2011	2012
<b>TOTAL LOAN PORTFOLIO BY ECONOMIC SECTOR (%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Agriculture	1.50%	0.62%	1.54%	3.22%	10.34%
Construction	0.06%	0.65%	1.95%	1.44%	1.32%
Household / Family	0.00%	0.23%	0.18%	1.06%	0.35%
Services	47.61%	62.55%	23.40%	50.30%	50.53%
Trade & Commerce	45.73%	33.33%	71.57%	43.61%	37.15%
Transportation	4.83%	2.62%	1.14%	0.30%	0.29%
Other Categories	0.27%	0.00%	0.23%	0.07%	0.03%
<b>TOTAL LOAN PORTFOLIO</b>					
Gross Loan Portfolio (US\$)	308,435	1,255,558	2,846,594	4,656,464	5,483,206
<b>Defaulting Portfolio (US\$)</b>					
1 - 30 Days	-	-	-	700	2,161
31 - 60 Days	-	-	-	-	1,457
61 - 90 Days	-	-	-	-	5,777
91 - 180 Days	-	-	-	222	15,140
181 - 365 Days	-	-	-	-	6,398
Over 365 Days	-	-	-	-	197
<b>TOTAL CLIENTS</b>	<b>248</b>	<b>868</b>	<b>1,411</b>	<b>2,169</b>	<b>2,904</b>
- Individual	141	708	1236	2002	2,687
- Group	107	160	175	167	217
<b>TOTAL OPERATION AREA</b>					
- Cities	1	1	1	2	3
- Provinces	-	-	-	1	1
- Districts	7	19	21	26	31
- Communes	21	65	98	121	161
- Villages	59	177	274	377	388

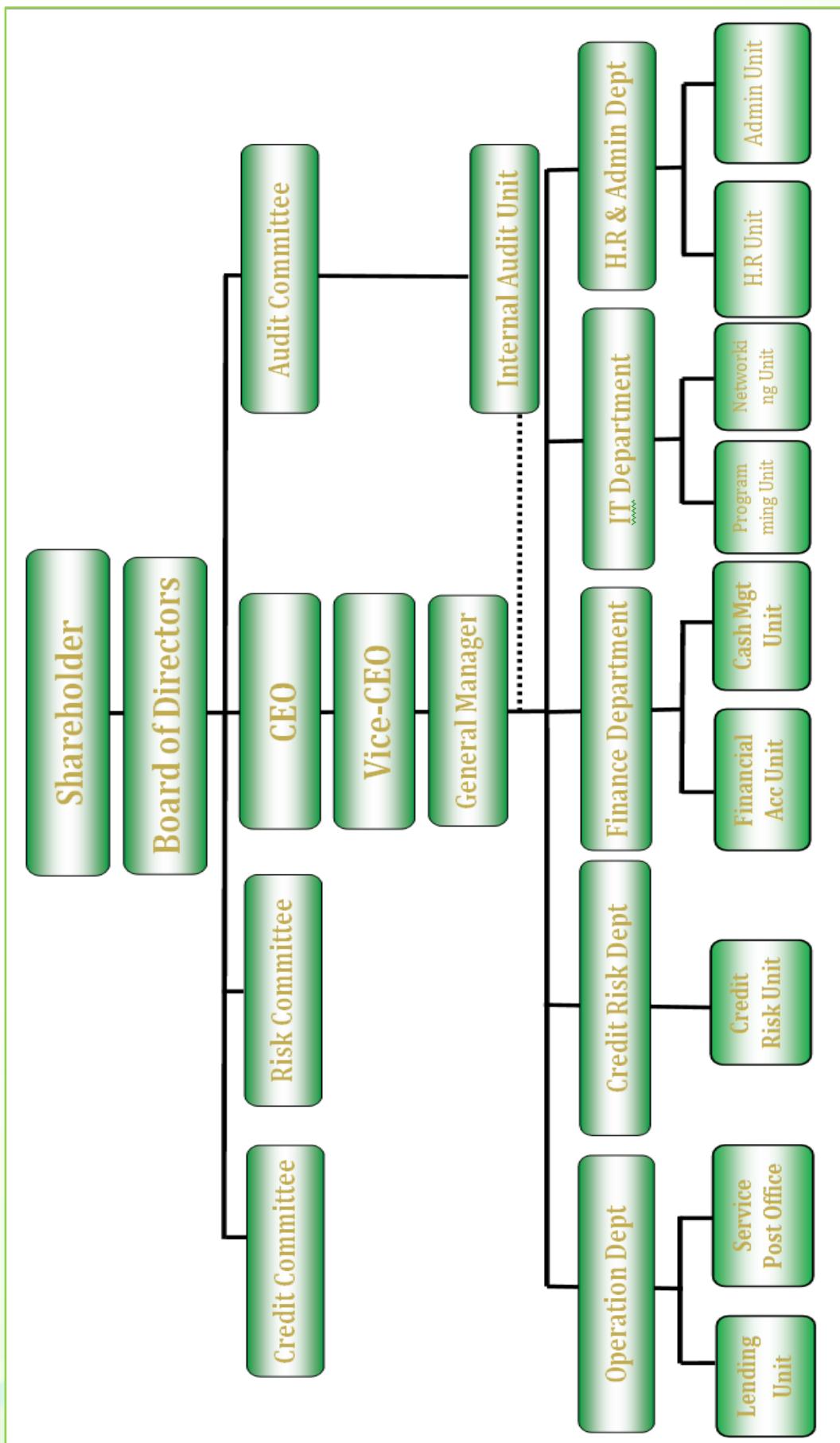
## BREAKDOWN BY TYPES OF LOAN OUTSTANDING



## LOAN BREAKDOWN BY TYPE OF BUSINESS



## ORGANIZATION CHART



# Board of Director

**MR. KOO BON KWANG**  
**CHAIRMAN**



Mr. Koo Bon Kwang was appointed as a member of Board of Directors in June 2008 and became Chairman of Board of Directors in February 2010. from January 1986 to May 2003, he was the Chairman of the Board of Directors of Livestock Industry Part Company. From April 2004 to date, he is the Chairman of Board of Directors of the Industrial Park Company. From July 2009 to date, he is the Chairman of the Board of Directors of Joong Ang Development Limited Company and Central Gold Club.

**MRS. AI CHA CHENG CHOI**  
**PRESIDENT AND CEO**



Mrs. Ai Cha Cheng Choi received Bachelor Degree in Economics from Myung Gi University, Korea, in 1976. From July 2002 to December 2004, she'd been working as a Financial Controller of the Accounting Department of Century Financing Central Co., Ltd. From May 2005 to end of 2009, she'd been working as Deputy Managing Director in charge of Department of Management and Accounting of New York Sports Center Co., Ltd. From February 2010 to date, she is a member of the Board of Directors and President and CEO of Green Central Microfinance Ltd in Cambodia.

**MR. CHOI GEUM IL**  
**DIRECTOR**



Mr. Choi Geum Il received Bachelor Degree in Business Administration from Kyoung Ki University, Korea, in 1976. From March 1972 to July 1994, he was a Director of Hana Bank Yonshinnae Br. On January 1995, he was a Director in charge of Finance Department of Joong Ang Breeding Co., Ltd. On January 2005, he was the Chief Executive Officer of New York Sports Center Co., Ltd. On February 2010, he became a member of the Board of Directors of Green Central Microfinance Ltd in Cambodia.

**MISS. SEO HYUN SOOK**  
**INDEPENDENT DIRECTOR**



Miss. Seo Hyun Sook will graduate in Business Administration and Information Statistics from Korea National Open University, Korea, at the end of 2012. From January 1991 to date, she is auditor of the Jongang Jongchook Co., Ltd. On May 2011, she was appointed as Independent Directors of GCMF in Cambodia.

**MRS. KIM SOOK YUH**  
**DIRECTOR**



Mrs. Kim Sook Yuh graduated from Ehwa Women's college, Korea, in 1959. From May 1996 to date, she is the chief executive officer of Jungang Investment Co., Ltd. On May 2011, she became a member of the Board of Directors of Green Central Microfinance Ltd in Cambodia.

## Executive Management



### **MRS. AI CHA CHENG CHOI PRESIDENT AND CEO**

Mrs. Ai Cha Cheng Choi received Bachelor Degree in Economics from Myung Gi University, Korea, in 1976. From July 2002 to December 2004, she'd been working as a Financial Controller of the Accounting Department of Century Financing Central Co., Ltd. From May 2005 to end of 2009, she'd been working as Deputy Managing Director in charge of Department of Management and Accounting of New York Sports Center Co., Ltd. From February 2010 to date, she is a member of the Board of Directors and President and CEO of Green Central Microfinance Ltd in Cambodia.



### **MR. JAE KUN HONG VICE PRESIDENT AND CEO**

Mr. JAE KUN HONG has a well knowledge and long term experience in bank sector. He graduated in 1995 and obtained master degree in business administration. He used to work for KB bank in Korea since 1980 to November 11, 2010 as banker, manager, accounting advisor and loan auditor as well. From March 2012 to date, he is a Vice-President & CEO of GCMF in Cambodia.



### **MR. EK CHANSOPHEA GENERAL MANAGER**

Mr. Ek Chansophea was appointed to be General Manager of GCMF on December 2010. He received Bachelor Degree in marketing from the National Institute of Management in 2003 and Master Degree in General Management from Royal University of Law and Economics in 2007. From 2004 to July 2009, he had worked as a Medium Loan Credit Officer and a Credit Analyst Officer of the Credit Department of Acleda Bank Plc. On July 2009, he became a Credit Control Officer of the Credit Department of GCMF, and was subsequently appointed to be Manager of the Credit Department in June 2010.



### **MR. HENG VUTHY OPERATION DEPARTMENT MANAGER**

Mr. Heng Vuthy was appointed to be Operation Department Manager of GCMF on September 2011. He received Bachelor Degree in Enterprise Management from Royal University of Law and Economics in 2003. From 2003 to October 2008, he had worked as a Medium Loan Credit Officer of Acleda Bank Plc. On October 2008, he became a Credit Officer of GCMF's Loan Service Department and was appointed to be Manager of Loan Service Department of GCMF on December 2010.



### **MS. CHHEANG RATHA HR & ADMIN DEPARTMENT MANAGER**

Ms. Chheang Ratha was appointed to be HR and Administrative Department Manager of GCMF on February 04, 2013. She received Diploma of Business in Management on March, 2003 from Royal Melbourne Institute of Technology University and she obtained Bachelor of Business Administration on July, 2004 from Preston University. From August, 1997 to February, 2010, she worked for Representative Office of Toyo Construction Co., Ltd. as Secretary to General Manager in charge of Administration and Finance Affair. On October, 2011, she was employed as Admin/HR Staff of GCMF's Head Office.



### **MR. OUK TORONA FINANCE DEPARTMENT MANAGER**

Mr. Ouk Torona was appointed to be Finance Manager of GCMF on July 2012. He holds Master Degree in Financial Management and Bachelor Degree major of Accounting, from Royal University of Law and Economics.

He is currently pursuing ACCA qualification from UK's Association of Chartered Certified Accountants. Previously he worked as Senior Auditor of external audit firm (Certified Public Accountant Firm), from 2006 to June 2012. He has about six years' experience in the field auditing, taxation, finance and accounting management relating to financial institutions such as commercial banks, specialized banks, MFIs as well as compliance and private companies. Also he has a well sound relating to CAS and IFRS.



### **MR. PHAN SOPHEA IT DEPARTMENT MANAGER**

Mr. Phan Sophea was appointed to be IT Department Manager of GCMF on September 2011. He received Bachelor Degree in Information Technology from Royal University of Phnom Penh in 2011. From June 2008, he has worked as IT Officer of GCMF's General Affairs Department and was appointed to be Manager of IT Unit on February 2011.

# Products and Services



## INDIVIDUAL LOAN

- Loan Size [min - max] : US\$100 to US\$25,000 or Equivalent KHR 40 0,000 to KHR 100 millions
- Terms [min - max] : 12 Months - 36 Months
- Repayment Condition : Declining
- Mortgage : Collateral and Guarantor
- Interest Rate : State period and Declining

## GROUP LOAN

- Loan Size [min - max] : KHR 40 0,000 to KHR 2,000,000
- Terms [min - max] : 6 Months - 10 Months
- Repayment Condition : Declining
- Mortgage : Collateral and Guarantor
- Interest Rate : State period and Declining

## Training, social activities and annual workshop



GCMF Credit Committee Meeting



GCMF Management Meeting



GCMF Staff Training Workshop



GCMF Staff Charitable Activities



GCMF staff Annual Workshop at Sihanoukville



Annual Trip to Singapore for Good Performance Staff



GCMF Training by External Trainer



GCMF General Staff Meeting



GCMF Lady Club Meeting



GCMF Staff Training by HR Dept



GCMF Charitable Activity at DAIL Community



GCMF Football Team

# INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

## DIRECTORS' REPORT

The Board of Directors (the Directors) hereby submits this report together with the audited financial statements of Green Central Micro Finance Ltd. (the Company) for the year ended 31 December 2012.

## PRINCIPAL ACTIVITIES

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

## FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2012 is set out in the income statement on page 7.

There were no dividends declared or paid during the financial year.

## BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that actions had been taken in respect of writing off bad loans and making allowance for bad and doubtful loans. They were satisfied that all known bad loans had been written off and adequate allowance 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 bad and doubtful loans in the financial statements inadequate to any material extent.

## ASSETS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ensure that any assets unlikely to be realised in the ordinary course of business at the values shown in the accounting records be written down to an amount 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 assets in the financial statements of the Company misleading in any material respect.

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Company that has arisen since the end of the year that secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of business.

In the opinion of the Directors no contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the year that could have a material effect on the ability of the Company to meet its obligations as and when they become due.

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

There were no items, transactions or events of a material and unusual nature that, in the opinion of the Directors, materially affected the financial performance of the Company for the year ended 31 December 2012.

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

## THE BOARD OF DIRECTORS

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

• Mr. Koo Bon Kwang	Chairman	(appointed on 8 February 2010)
• Mrs. Ai Cha Cheng Choi	Director	(appointed on 8 February 2010)
• Mr. Choi Geum Il	Director	(appointed on 8 February 2010)
• Mrs. Kim Sook Yuh	Director	(appointed on 26 May 2011)
• Miss. Seo Hyun Sook	Independent Director	(appointed on 26 May 2011)

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

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- i) Adopt appropriate accounting policies that are supported by reasonable and prudent judgements and estimates, and then apply them consistently.
- ii) Comply with the disclosure requirements and the guidelines issued by the National Bank of Cambodia (the Central Bank) and Cambodian Accounting Standards or, if there has been any departure from such standards in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements.
- iii) Maintain adequate accounting records and an effective system of internal controls.
- iv) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future.
- v) Control and direct the Company effectively and be involved in all material decisions affecting its operations and performance, and ascertain that such matters have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

## APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, were approved by the Board of Directors and present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards.

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



Mrs. Ai Cha Cheng Choi  
Director and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia  
Date: 22 April 2013

## Independent auditor's report

To the Shareholders of Green Central Micro Finance Ltd.

We have audited the accompanying financial statements of Green Central Micro Finance Ltd. (the Company), which comprise the balance sheet as at 31 December 2012, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibilities for the financial statements*

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

### *Auditor's responsibility*

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim  
Partner

Phnom Penh, Kingdom of Cambodia  
Date: 22 April 2013

## GREEN CENTRAL MICRO FINANCE LTD.

### BALANCE SHEET AS AT 31 DECEMBER 2012

Note	2012		2011	
	US\$	KHR '000	US\$	KHR '000
<b>ASSETS</b>				
Cash on hand	4	38,031	151,934	8,403
Balances with the Central Bank	5	179,093	715,477	178,841
Balances with banks	6	18,913	75,557	11,902
Loans to customers	7	5,478,852	21,888,014	4,656,242
Investment in Credit Bureau		5,000	19,975	5,000
Other assets	8	127,927	511,068	58,562
Property and equipment	9	153,625	613,732	169,252
Intangible assets	10	4,313	17,230	11,178
Deferred tax assets	11	10,644	42,523	5,855
<b>TOTAL ASSETS</b>		<b>6,016,398</b>	<b>24,035,510</b>	<b>5,105,235</b>
				<b>20,620,044</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Bank overdraft	12	1,414,378	5,650,440	500,129
Borrowings	13	702,211	2,805,333	827,309
Other liabilities	14	30,870	123,326	85,031
Current income tax liabilities	11	42,509	169,823	56,183
<b>TOTAL LIABILITIES</b>		<b>2,189,968</b>	<b>8,748,922</b>	<b>1,468,652</b>
				<b>5,931,885</b>
<b>EQUITY</b>				
Share capital	15	3,500,000	13,982,500	3,500,000
Retained earnings		326,430	1,304,088	136,583
<b>TOTAL EQUITY</b>		<b>3,826,430</b>	<b>15,286,588</b>	<b>3,636,583</b>
				<b>14,688,159</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,016,398</b>	<b>24,035,510</b>	<b>5,105,235</b>
				<b>20,620,044</b>

The accompanying notes on page 10 to 41 form an integral part of these financial statements.

**GREEN CENTRAL MICRO FINANCE LTD.**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

Note	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Interest income	16	1,224,858	4,893,308	883,119
Interest expense	17	(163,256)	(652,208)	(8,944)
<b>NET INTEREST INCOME</b>		<b>1,061,602</b>	<b>4,241,100</b>	<b>874,175</b>
Provision for bad and doubtful loans	7	(4,132)	(16,507)	(222)
<b>Net interest income after provision for bad and doubtful loans</b>		<b>1,057,470</b>	<b>4,224,593</b>	<b>873,953</b>
Other income	18	44,303	176,990	29,228
Personnel expenses	19	(567,740)	(2,268,121)	(327,403)
Depreciation and amortisation charges	20	(81,947)	(327,378)	(69,923)
General and administrative expenses	21	(242,107)	(967,217)	(213,292)
Net foreign exchange gains		<u>2,043</u>	<u>8,162</u>	<u>74</u>
<b>Profit before income tax</b>		<b>212,022</b>	<b>847,029</b>	<b>292,637</b>
Income tax expense	11	(22,175)	(88,589)	(59,442)
<b>PROFIT FOR THE YEAR</b>		<b>189,847</b>	<b>758,440</b>	<b>233,195</b>
				<b>941,875</b>

The accompanying notes on page 10 to 41 form an integral part of these financial statements.

**GREEN CENTRAL MICRO FINANCE LTD.**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Share capital</b> <b>US\$</b>	<b>Retained earnings</b> <b>US\$</b>	<b>Total</b> <b>US\$</b>
As at 1 January 2011	2,000,000	(96,612)	1,903,388
Additional paid-up capital during the year	1,500,000	-	1,500,000
Profit for the year	-	233,195	233,195
<b>As at 31 December 2011</b>	<b>3,500,000</b>	<b>136,583</b>	<b>3,636,583</b>
<b>KHR equivalent</b>	<b>14,136,500</b>	<b>551,659</b>	<b>14,688,159</b>
As at 1 January 2012	3,500,000	136,583	3,636,583
Profit for the year	-	189,847	189,847
<b>As at 31 December 2012</b>	<b>3,500,000</b>	<b>326,430</b>	<b>3,826,430</b>
<b>KHR equivalent</b>	<b>13,982,500</b>	<b>1,304,088</b>	<b>15,286,588</b>

The accompanying notes on page 10 to 41 form an integral part of these financial statements.

**GREEN CENTRAL MICRO FINANCE LTD.**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

Note	2012		2011	
	US\$	KHR '000	US\$	KHR '000
<b>Cash flows from operating activities</b>				
Cash used in operations	22	(1,614,492)	(6,449,896)	(2,324,431)
Interest received		1,201,793	4,801,163	870,049
Interest paid		(239,468)	(956,675)	-
Income tax paid	11	(40,638)	(162,349)	(9,673)
Net cash used in operating activities		(692,805)	(2,767,757)	(1,464,055)
				(5,913,318)
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	9,10	(59,455)	(237,523)	(163,494)
Statutory capital deposit with the		-	-	(75,000)
Investment in Credit Bureau		-	-	(5,000)
Net cash used in investing activities		(59,455)	(237,523)	(243,494)
				(983,472)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		311,354	1,243,859	1,618,000
Repayments on borrowings		(436,452)	(1,743,626)	(423,000)
Net cash from financing activities		(125,098)	(499,767)	1,195,000
<b>Net decrease in cash and cash</b>		(877,358)	(3,505,047)	(512,549)
Cash and cash equivalents at the		(475,983)	(1,922,495)	36,566
Currency translation differences		-	20,945	148,202
<b>Cash and cash equivalents at the</b>	4	(1,353,341)	(5,406,597)	(475,983)
				(1,922,495)

The shareholder converted borrowings amounting to US\$1,500,000 into share capital in 2011 (2012: US\$ Nil).

The accompanying notes on page 10 to 41 form an integral part of these financial statements.

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 1. BACKGROUND INFORMATION

Green Central Micro Finance Ltd. (the Company) is a private limited company established in the Kingdom of Cambodia. The Company was incorporated with the Ministry of Commerce on 10 June 2008 and obtained its licence from the National Bank of Cambodia (the Central Bank) to operate as a micro finance institution on 24 October 2008.

Under the micro finance licence, the Company is authorised to grant credit to poor and low-income households and small enterprises operating in the Kingdom of Cambodia.

The Company's head office is located at No. 640E,F, Street 271, Village 06, Sangkat Phsar Doeum Thkov, Khan Chamcarmon, Phnom Penh, the Kingdom of Cambodia. The Company has 3 post offices located in Dangkor, Phnom Penh, Kien Svay and Angsnoul, Kandal Province.

As at 31 December 2012, the Company had 100 employees (31 December 2011: 66 employees).

The financial statements were authorised for issue by the Board of Directors on 22 April 2013.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 2.1 Basis of preparation

The Company's financial statements have been prepared in accordance with Cambodian Accounting Standards (CAS) and the guidelines issued by the Central Bank. In applying CAS, the Company also applies CFRS 7: Financial Instruments: Disclosures. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The financial statements are not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are addressed only to those who are informed about Cambodian accounting principles, procedures and practices.

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.1 Basis of preparation (continued)

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

##### 2.2 Change in financial reporting framework

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

The NAC of the MoEF through Circular No. 086 MoEF.NAC dated 30 July 2012 approves a delay of the adoption of CIFRS for banks and financial institutions until the periods beginning on or after 1 January 2016.

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

##### 2.3 Foreign currency translation

###### (a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in US\$, which is the Company's functional and presentation currency.

For the sole regulatory purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation into KHR is provided for the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements as at and for the year ended 31 December 2012 using the average official exchange rate regulated by the Central Bank as at the reporting date, which was US\$1 equal to KHR 3,995 (31 December 2011: US\$1 equal to KHR 4,039). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be converted into KHR at that or any other rate.

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.3 Foreign currency translation (continued)

###### (b) *Transactions and balances*

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

##### 2.4 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, the non-restricted balances with the Central Bank, balances with other banks, with original maturities of three months or less from the date of acquisition and bank overdrafts. Bank overdrafts are shown as liabilities in the balance sheet.

##### 2.5 Loans to customers

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

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

##### 2.6 Provision for bad and doubtful loans

The Company follows the mandatory credit classification and provisioning as required by the Prakas B7-02-186 dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes based on the number of days past due of the principal and/or interest repayment as follows:

<b>Classification</b>	<b>Number of days past due</b>	<b>Provision</b>
<i>Short-term loans (less than one year)</i>		
Standard	Less than 30 days	0%
Substandard	Equal to or more than 30 days	10%
Doubtful	Equal to or more than 60 days	30%
Loss	Equal to or more than 90 days	100%
<i>Long-term loans (more than one year)</i>		
Standard	Less than 30 days	0%
Substandard	Equal to or more than 30 days	10%
Doubtful	Equal to or more than 180 days	30%
Loss	Equal to or more than 360 days	100%

Institutions are also required to ensure that the minimum mandatory level of specific provisioning is provided depending on loan classification, regardless of the assets (except cash) pledged as collateral.

## **GREEN CENTRAL MICRO FINANCE LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **2.7 Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property and equipment is charged to the income statement over the estimated useful lives of the assets using the straight-line method at the following rate per annum:

Leasehold improvement	33 - 57%
Furniture & fixtures	20%
Office equipment	25%
Computer & IT equipment	33%
Motor vehicles	20 -25%

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

The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

##### **2.8 Intangible assets**

Intangible assets consist of computer software and license fees and are stated at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised over their estimated useful lives of three years using the straight-line method.

##### **2.9 Impairment of non-financial assets**

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

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.10 Borrowings

Borrowings are stated at the amount of the principal outstanding.

##### 2.11 Provisions

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

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

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

##### 2.12 Interest income and expense

Interest income on loans to customers, balances with the Central Bank and balances with banks are recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest income on loans to customers is suspended until it is realised on a cash basis.

Interest expenses on borrowings are recognised on an accrual basis.

##### 2.13 Fee and commission income

The Company earns fee and commission income from a diverse range of services including fee for loan reschedule, penalty fee for early payments and late payments. These are recognised on the accrual basis.

##### 2.14 Leases

Leases in which a significant portion of the risks and rewards of asset ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the leases.

##### 2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in Cambodia where the Company operates and generates taxable income.

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.15 Current and deferred income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

##### 2.16 Rounding of amounts

The presenting amounts in the financial statements have been rounded off to the nearest US\$ amounts and thousand KHR, respectively.

#### 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### (a) *Impairment losses on loans to customers*

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 on the classification and provisioning for bad and doubtful debts. The Central Bank requires microfinance institutions to classify their loan portfolios into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

Management believes that the provision for bad and doubtful loans as at 31 December 2012 is adequate.

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

##### (b) *Income tax*

Taxes are calculated on the basis of current interpretations of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the tax authorities.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### 4. CASH ON HAND

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Head office	21,886	87,435	2,915	11,774
Post offices	16,145	64,499	5,488	22,166
	<u>38,031</u>	<u>151,934</u>	<u>8,403</u>	<u>33,940</u>

For cash flow statement purposes, cash and cash equivalents comprise:

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Cash on hand	38,031	151,934	8,403	33,940
Balances with banks (Note 6)	18,913	75,557	11,902	48,072
Balances with the Central Bank (Note 5)	4,093	16,352	3,841	15,514
Bank overdrafts (Note 12)	(1,414,378)	(5,650,440)	(500,129)	(2,020,021)
	<u>(1,353,341)</u>	<u>(5,406,597)</u>	<u>(475,983)</u>	<u>(1,922,495)</u>

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 5. BALANCES WITH THE CENTRAL BANK (continued)

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Statutory capital deposit (i)	175,000	699,125	175,000	706,825
Current accounts (ii)	4,093	16,352	3,841	15,514
	<u>179,093</u>	<u>715,477</u>	<u>178,841</u>	<u>722,339</u>

##### (i) Statutory capital deposit

In compliance with Prakas B7-06-209 dated 13 September 2006 on the licensed microfinance institutions, the Company is required to maintain a statutory capital deposit with the Central Bank of 5% of registered capital. This deposit is refundable should the Company voluntarily liquidate.

The statutory capital deposit earns annual interest ranging at 0.20% (2011: 0.08%).

##### (ii) Current accounts

Current accounts are non-interest bearing.

#### 6. BALANCES WITH BANKS

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Savings accounts	17,791	71,075	11,225	45,338
Current accounts	1,122	4,482	677	2,734
	<u>18,913</u>	<u>75,557</u>	<u>11,902</u>	<u>48,072</u>

Current accounts are non-interest bearing. Annual interest rates on savings accounts are 1.5% (2011: 1.5%).

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. LOANS TO CUSTOMERS**

	<b>2012</b>	<b>2011</b>		
	US\$	KHR '000	US\$	KHR '000
Individual loans	5,378,134	21,485,645	4,557,179	18,406,446
Solidarity loans	58,083	232,042	47,930	193,589
Staff loans	<u>46,989</u>	<u>187,721</u>	<u>51,355</u>	<u>207,423</u>
	<u>5,483,206</u>	<u>21,905,408</u>	<u>4,656,464</u>	<u>18,807,458</u>
Provision for bad and doubtful loans	<u>(4,354)</u>	<u>(17,394)</u>	<u>(222)</u>	<u>(897)</u>
	<u>5,478,852</u>	<u>21,888,014</u>	<u>4,656,242</u>	<u>18,806,561</u>

**(a) Provision for bad and doubtful loans**

The movements in provision for bad and doubtful loans to customers are as follows:

	<b>2012</b>	<b>2011</b>		
	US\$	KHR '000	US\$	KHR '000
At beginning of the year	222	897	-	-
Provision for the year	4,132	16,507	222	897
Currency translation differences	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>-</u>
At end of the year	<u>4,354</u>	<u>17,394</u>	<u>222</u>	<u>897</u>

**(b) By economic sector**

	<b>2012</b>	<b>2011</b>		
	US\$	KHR '000	US\$	KHR '000
Transportation	2,770,458	11,067,980	2,342,063	9,459,592
Trade and commerce	2,036,783	8,136,948	2,033,966	8,215,189
Agriculture	567,080	2,265,485	149,881	605,369
Construction	72,421	289,322	67,221	271,506
Services	15,693	62,694	13,970	56,425
Other categories	<u>20,771</u>	<u>82,979</u>	<u>49,363</u>	<u>199,377</u>
	<u>5,483,206</u>	<u>21,905,408</u>	<u>4,656,464</u>	<u>18,807,458</u>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. LOANS TO CUSTOMERS (continued)**

**(c) By relationship**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
External customers	5,436,217	21,717,687	4,605,109	18,600,035
Staff loans	46,989	187,721	51,355	207,423
	<u>5,483,206</u>	<u>21,905,408</u>	<u>4,656,464</u>	<u>18,807,458</u>

**(d) By location**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Phnom Penh city				
Head Office	2,310,649	9,231,043	2,779,559	11,226,639
Dongkor	1,248,717	4,988,624	1,129,874	4,563,561
Kandal province				
Angsnoul	540,453	2,159,110	-	-
Kien Svay	1,383,387	5,526,631	747,031	3,017,258
	<u>5,483,206</u>	<u>21,905,408</u>	<u>4,656,464</u>	<u>18,807,458</u>

**(e) Analysis by security on performing and non-performing loans**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Standard loans:				
Secured	5,349,165	21,369,914	4,556,957	18,405,549
Unsecured	105,072	419,763	99,285	401,012
Sub-standard loans:				
Secured	22,374	89,384	-	-
Unsecured	-	-	-	-
Doubtful loans:				
Secured	6,398	25,560	-	-
Unsecured	-	-	-	-
Loss loans:				
Secured	197	787	222	897
Unsecured	-	-	-	-
	<u>5,483,206</u>	<u>21,905,408</u>	<u>4,656,464</u>	<u>18,807,458</u>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. LOANS TO CUSTOMERS (continued)**

*(e) Analysis by security on performing and non-performing loans (continued)*

The secured loans are those loans secured in the form of land or house title receipts (which are not official land title deeds); the Company generally issues loans to poor entrepreneurs in Phnom Penh and provinces.

*(f) Interest rate*

The annual interest rates that were in operation during the year are as follows:

	<b>2012</b>	<b>2011</b>
Loan in KHR	30% - 48%	-
Loan in US\$	19.2% - 42%	18% - 42%
Staff loans	15%	-

**8. OTHER ASSETS**

	<b>2012</b>		<b>2011</b>	
	<b>US\$</b>	<b>KHR '000</b>	<b>US\$</b>	<b>KHR '000</b>
Accrued interest receivable	67,420	269,343	44,355	179,150
Rental deposits	28,850	115,256	13,800	55,738
Others	<u>31,657</u>	<u>126,469</u>	<u>407</u>	<u>1,644</u>
	<u><b>127,927</b></u>	<u><b>511,068</b></u>	<u><b>58,562</b></u>	<u><b>236,532</b></u>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**9. PROPERTY AND EQUIPMENT**

	Leasehold improvement US\$	Furniture & fixtures US\$	Office equipments US\$	Computer & IT equipments US\$	Motor vehicles US\$	Total US\$
<b>At 1 January 2011</b>						
Cost	38,406	12,210	21,097	18,272	89,810	179,795
Accumulated depreciation	(34,405)	(4,936)	(10,207)	(11,283)	(39,483)	(100,314)
<b>Net book value</b>	<b>4,001</b>	<b>7,274</b>	<b>10,890</b>	<b>6,989</b>	<b>50,327</b>	<b>79,481</b>
<b>Year ended 31 December 2011</b>						
Opening net book value	4,001	7,274	10,890	6,989	50,327	79,481
Additions	67,141	34,435	11,035	16,579	25,224	154,414
Depreciation charge	(18,552)	(6,793)	(7,482)	(7,979)	(23,837)	(64,643)
<b>Closing net book value</b>	<b>52,590</b>	<b>34,916</b>	<b>14,443</b>	<b>15,589</b>	<b>51,714</b>	<b>169,252</b>
<b>At 31 December 2011</b>						
Cost	105,547	46,645	32,132	34,851	115,034	334,209
Accumulated depreciation	(52,957)	(11,729)	(17,689)	(19,262)	(63,320)	(164,957)
<b>Net book value</b>	<b>52,590</b>	<b>34,916</b>	<b>14,443</b>	<b>15,589</b>	<b>51,714</b>	<b>169,252</b>
<b>Equivalent in KHR</b>	<b>212,411</b>	<b>141,026</b>	<b>58,335</b>	<b>62,964</b>	<b>208,873</b>	<b>683,609</b>
<b>At 1 January 2012</b>						
Cost	105,547	46,645	32,132	34,851	115,034	334,209
Accumulated depreciation	(52,957)	(11,729)	(17,689)	(19,262)	(63,320)	(164,957)
<b>Net book value</b>	<b>52,590</b>	<b>34,916</b>	<b>14,443</b>	<b>15,589</b>	<b>51,714</b>	<b>169,252</b>
<b>Year ended 31 December 2012</b>						
Opening net book value	52,590	34,916	14,443	15,589	51,714	169,252
Additions	21,560	7,671	8,832	8,842	12,550	59,455
Depreciation charge	(23,152)	(9,689)	(7,785)	(8,467)	(25,989)	(75,082)
<b>Closing net book value</b>	<b>50,998</b>	<b>32,898</b>	<b>15,490</b>	<b>15,964</b>	<b>38,275</b>	<b>153,625</b>
<b>At 31 December 2012</b>						
Cost	127,107	54,316	40,964	43,693	127,584	393,664
Accumulated depreciation	(76,109)	(21,418)	(25,474)	(27,729)	(89,309)	(240,039)
<b>Net book value</b>	<b>50,998</b>	<b>32,898</b>	<b>15,490</b>	<b>15,964</b>	<b>38,275</b>	<b>153,625</b>
<b>Equivalent in KHR</b>	<b>203,736</b>	<b>131,428</b>	<b>61,883</b>	<b>63,776</b>	<b>152,909</b>	<b>613,732</b>

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 10. INTANGIBLE ASSETS

Intangible assets consist of computer software costs and licensing fees, with the details as follows:

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Cost				
Balance as at 1 January	19,103	76,316	10,023	40,483
Additions	-	-	9,080	36,674
Balance as at 31 December	<u>19,103</u>	<u>76,316</u>	<u>19,103</u>	<u>77,157</u>
Less: Accumulated amortisation				
Balance as at 1 January	7,925	31,660	2,645	10,683
Amortisation charge	6,865	27,426	5,280	21,326
Balance as at 31 December	<u>14,790</u>	<u>59,086</u>	<u>7,925</u>	<u>32,009</u>
Net book value	<u>4,313</u>	<u>17,230</u>	<u>11,178</u>	<u>45,148</u>

#### 11. TAXATION

##### (a) Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Deferred tax assets				
Deferred tax liabilities	10,644	42,523	5,855	23,648
Deferred tax assets - net	<u>10,644</u>	<u>42,523</u>	<u>5,855</u>	<u>23,648</u>

Deferred tax assets mainly arise from the temporary differences resulting from depreciable assets.

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**11. TAXATION (continued)**

**(a) Deferred tax assets (continued)**

The movements of net deferred tax assets are as follows:

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Balance at beginning of the year	5,855	23,648	-	-
Credited to the income statement	4,789	19,132	5,855	23,648
Currency translation differences	-	(257)	-	-
<b>Balance at end of the year</b>	<b>10,644</b>	<b>42,523</b>	<b>5,855</b>	<b>23,648</b>

**(b) Income tax expense**

	2012		2011	
	US\$	KHR '000	US\$	KHR'000
Current tax:				
Current tax on profit for the year	55,170	220,404	65,297	263,735
Adjustments in respect to prior years	(28,206)	(112,683)	-	-
Deferred tax:				
Origination and reversal of temporary differences	(4,789)	(19,132)	(5,855)	(23,649)
<b>22,175</b>	<b>88,589</b>	<b>59,442</b>	<b>240,086</b>	

**(i) Current income tax liabilities**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Balance at beginning of the year	56,183	226,923	559	2,266
Charge during the year	55,170	220,404	65,297	263,735
Income tax paid	(40,638)	(162,349)	(9,673)	(39,069)
Adjustments in respect to prior years	(28,206)	(112,683)	-	-
Currency translation differences	-	(2,472)	-	(9)
<b>Balance at end of the year</b>	<b>42,509</b>	<b>169,823</b>	<b>56,183</b>	<b>226,923</b>

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 11. TAXATION (continued)

##### (b) Income tax expense (continued)

- (ii) The reconciliation of income tax expense computed at the statutory tax rate to the income tax expense shown in the income statement is as follows:

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Profit before income tax	212,022	847,028	292,637	1,181,961
Tax calculated at a rate of 20%	42,404	169,404	58,527	236,391
Expenses not deductible for tax purposes	<u>12,766</u>	<u>51,000</u>	<u>6,770</u>	<u>27,344</u>
	<u>55,170</u>	<u>220,404</u>	<u>65,297</u>	<u>263,735</u>

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

##### (iii) Other tax matters

The Company's tax returns are subject to periodic examination by the General Department of Taxation (GDT). Some areas of tax laws and regulations may be open to different interpretation; therefore, the tax amounts reported in the financial statements could be changed at a later date upon final determination by the GDT.

#### 12. BANK OVERDRAFT

This represents an overdraft facility maintained with a local bank. The annual interest rate on the outstanding balance is 9.75% (2011: 9.75%) and on the unutilised balance is 0.3% (2011: 0.3%).

#### 13. BORROWINGS

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Common Central Holding Ltd	531,211	2,122,188	827,309	3,341,501
Chief Executive Officer	<u>171,000</u>	<u>683,145</u>	<u>-</u>	<u>-</u>
	<u>702,211</u>	<u>2,805,333</u>	<u>827,309</u>	<u>3,341,501</u>

The borrowings bear interest at rates ranging from 6% to 11% per annum. 2011 interest was waved. None of the Company's borrowings are secured.

The Company has no defaults on principal, interest or redemption amounts.

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 14. OTHER LIABILITIES

	<b>2012</b>	<b>2011</b>		
	US\$	KHR '000	US\$	KHR '000
Accrued professional fee	20,720	82,776	2,769	11,184
Withholding taxes payable	3,000	11,985	-	-
Accrued interest expense	-	-	76,212	307,820
Others	<u>7,150</u>	<u>28,565</u>	<u>6,050</u>	<u>24,436</u>
	<b><u>30,870</u></b>	<b><u>123,326</u></b>	<b><u>85,031</u></b>	<b><u>343,440</u></b>

#### 15. SHARE CAPITAL

The total authorised amount of share capital comprises 3.5 million shares (2011: 3.5 million shares) with a par value of US\$1 per share (2011: US\$1 per share). All issued shares have been fully paid for.

The Company is controlled by Common Central Holdings Ltd. incorporated in Cambodia, which wholly owns 100% of the Company's share capital.

#### 16. INTEREST INCOME

	<b>2012</b>	<b>2011</b>		
	US\$	KHR '000	US\$	KHR '000
Individual loans	1,199,078	4,790,317	860,716	3,476,432
Solidarity loans	24,995	99,855	21,683	87,578
Balances with the Central Bank and banks	<u>785</u>	<u>3,136</u>	<u>720</u>	<u>2,908</u>
	<b><u>1,224,858</u></b>	<b><u>4,893,308</u></b>	<b><u>883,119</u></b>	<b><u>3,566,918</u></b>

#### 17. INTEREST EXPENSES

	<b>2012</b>	<b>2011</b>		
	US\$	KHR '000	US\$	KHR '000
Bank overdrafts	115,115	459,884	8,603	34,748
Borrowings	<u>48,141</u>	<u>192,324</u>	<u>341</u>	<u>1,377</u>
	<b><u>163,256</u></b>	<b><u>652,208</u></b>	<b><u>8,944</u></b>	<b><u>36,125</u></b>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**18. OTHER INCOME**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Fee and commission income	37,307	149,041	29,223	118,032
Other income	6,996	27,949	5	20
	<u>44,303</u>	<u>176,990</u>	<u>29,228</u>	<u>118,052</u>

**19. PERSONNEL EXPENSES**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Salaries and bonuses	536,837	2,144,664	304,452	1,229,682
Employee training expenses	12,531	50,061	8,177	33,027
Other benefits	18,372	73,396	14,774	59,672
	<u>567,740</u>	<u>2,268,121</u>	<u>327,403</u>	<u>1,322,381</u>

**20. DEPRECIATION AND AMORTISATION CHARGES**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Depreciation charge (Note 9)	75,082	299,952	64,643	261,093
Amortisation charge (Note 10)	6,865	27,426	5,280	21,326
	<u>81,947</u>	<u>327,378</u>	<u>69,923</u>	<u>282,419</u>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**21. GENERAL AND ADMINISTRATION EXPENSES**

	<b>2012</b>		<b>2011</b>	
	US\$	KHR '000	US\$	KHR '000
Rental expenses	47,828	191,073	39,922	161,245
Tax and professional fees	47,152	188,372	19,752	79,778
Travel expenses	32,997	131,823	29,374	118,642
Printing and office supplies expenses	21,568	86,164	31,473	127,119
Motor vehicle operation expenses	18,424	73,604	16,121	65,113
Utilities expenses	17,168	68,586	13,995	56,526
Communication expenses	11,893	47,513	9,161	37,001
Business meal and entertainment expenses	9,189	36,710	4,099	16,556
Furniture, fixtures and office equipments expenses	8,403	33,570	14,245	57,536
Repair and maintenances expenses	6,449	25,764	7,449	30,087
Marketing and advertising expenses	5,892	23,539	7,850	31,706
Membership expenses	2,292	9,157	1,053	4,253
Insurance expenses	1,806	7,215	1,173	4,738
Others miscellaneous expenses	11,046	44,127	17,625	71,186
	242,107	967,217	213,292	861,486

**22. CASH USED IN OPERATIONS**

	<b>2012</b>		<b>2011</b>	
	US\$	KHR '000	US\$	KHR '000
<b>Profit before income tax</b>	212,022	847,029	292,637	1,181,961
<i>Adjustments for:</i>				
Provision for bad and doubtful loans (Note 7)	4,132	16,507	222	897
Depreciation and amortization (Note 20)	81,947	327,378	69,923	282,419
Net interest income and expenses	<u>(1,061,602)</u>	<u>(4,241,100)</u>	<u>(874,175)</u>	<u>(3,530,793)</u>
Operating profit before changes in operating assets and liabilities	<u>(763,501)</u>	<u>(3,050,186)</u>	<u>(511,393)</u>	<u>(2,065,516)</u>
<i>Changes in operating assets and liabilities:</i>				
Loans to customers	(826,742)	(3,302,834)	(1,809,870)	(7,310,065)
Other assets	(46,300)	(184,969)	(1,494)	(6,034)
Other liabilities	<u>22,051</u>	<u>88,093</u>	<u>(1,674)</u>	<u>(6,762)</u>
<b>Cash used in operations</b>	<u>(1,614,492)</u>	<u>(6,449,896)</u>	<u>(2,324,431)</u>	<u>(9,388,377)</u>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**23. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company is controlled by Common Central Holdings Ltd incorporated in Cambodia, which wholly owns 100% of the Company's share capital. Mr. Koo Bon Kwang, the Company's chairman, owns 100% of share of Common Central Holdings Ltd.

The Company entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions for the year and outstanding balances at year-end are as follows:

**(a) Related-party transactions**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Board of Directors				
Fee and related expenses	22,234	88,825	18,274	73,005
Interest expense	<u>11,491</u>	<u>45,907</u>	-	-
Shareholders				
Interest expense	<u>36,650</u>	<u>146,417</u>	<u>12,674</u>	<u>51,190</u>

**(b) Compensation of key management personnel during the year**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Salaries and other short-term employee benefits				
	<u>231,840</u>	<u>926,201</u>	<u>67,540</u>	<u>272,794</u>

**(c) Borrowings from shareholders and Board of directors**

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Board of Directors:				
Borrowings	<u>171,000</u>	<u>683,145</u>	-	-
Shareholders:				
Borrowings	<u>531,211</u>	<u>2,122,188</u>	<u>827,309</u>	<u>3,341,501</u>

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 24. COMMITMENTS

##### **Operating lease commitments**

These operating lease commitments cover the Company's office rental and are renewable upon mutual agreement. The future minimum lease payments under non-cancellable operating leases are as follows:

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
No later than one year	49,200	196,554	37,150	150,049
Later than one year and no later than five years	133,600	533,732	135,800	548,496
Later than five years	<u>22,700</u>	<u>90,687</u>	-	-
	<u><u>205,500</u></u>	<u><u>820,973</u></u>	<u><u>172,950</u></u>	<u><u>698,545</u></u>

#### 25. FINANCIAL RISK MANAGEMENT

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

##### 25.1 Credit risk

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

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

##### (a) Credit risk measurement

The Company assesses the probability of default by an individual counterparty by focusing on that borrower's forecasted profit and cash flows. The credit committee is responsible for approving loans to customers.

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.1 Credit risk (continued)**

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

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

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral in exchange for loans to customers. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:

- mortgages over residential properties (land, buildings and other properties), and
- charges over business assets such as land and buildings

**(c) Impairment and provisioning policies**

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

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

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.1 Credit risk (continued)**

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

	<b>2012</b>		<b>2011</b>	
	<b>US\$</b>	<b>KHR '000</b>	<b>US\$</b>	<b>KHR '000</b>
<i>Credit exposure relating to on-balance-sheet assets:</i>				
Loans to customers (Note 7)	5,478,852	21,888,014	4,656,242	18,806,561
Balances with banks (Note 6)	18,913	75,557	11,902	48,072
Other assets	<u>99,077</u>	<u>395,812</u>	<u>44,762</u>	<u>180,794</u>
	<u><u>5,596,842</u></u>	<u><u>22,359,383</u></u>	<u><u>4,712,906</u></u>	<u><u>19,035,427</u></u>

The above table represents a worst-case scenario for credit risk exposure to the Company at 31 December 2012 and 2011, without taking into account any collateral or other credit enhancement. For on-balance-sheet assets, the exposure set out above is based on net carrying amounts.

As shown above, 98% of total maximum exposure is derived from loans to customers (2011: 99%).

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

- 99.5% of the loans in the portfolio are neither past due nor impaired (2011: 100%), and
- the Company introduced an even more stringent selection and collection loans process.

**(e) Loans to customers**

Loans to customers are summarised as follows:

	<b>2012</b>		<b>2011</b>	
	<b>US\$</b>	<b>KHR '000</b>	<b>US\$</b>	<b>KHR '000</b>
Loans to customers neither past due nor impaired	5,452,076	21,781,044	4,656,242	18,806,561
Loans to customers past due but not impaired	2,161	8,633	-	-
Loans to customers individually impaired	<u>28,969</u>	<u>115,731</u>	<u>222</u>	<u>897</u>
Gross loan	<u>5,483,206</u>	<u>21,905,408</u>	<u>4,656,464</u>	<u>18,807,458</u>
Provision for bad and doubtful loans	<u>(4,354)</u>	<u>(17,394)</u>	<u>(222)</u>	<u>(897)</u>
Net loans to customers	<u><u>5,478,852</u></u>	<u><u>21,888,014</u></u>	<u><u>4,656,242</u></u>	<u><u>18,806,561</u></u>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.1 Credit risk (continued)**

**(e) Loans to customers**

In accordance with the Central Bank's requirements for the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration. The total provision for bad and doubtful loans is US\$ 4,354 (2011: US\$222), which represents the specific provision required by the Central Bank.

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

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

**(ii) Loans to customers past due but not impaired**

Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans to customers that were past due but not impaired are as follows:

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Past due up to 30 days	2,161	8,633	-	-

**(iii) Loans to customers individually impaired**

In accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning, loans past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

	2012		2011	
	US\$	KHR '000	US\$	KHR '000
Past due 30-60 days	1,457	5,821	-	-
Past due 60-90 days	5,777	23,079	-	-
Past due 90-180 days	15,140	60,484	-	-
Past due 180-360 days	6,595	26,347	222	897
	28,969	115,731	222	897

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

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.1 Credit risk (continued)**

- (e) Loans to customers (continued)
- (iv) Loans to customers renegotiated

There were no renegotiated loans to customers at 31 December 2012 (2011: nil).

**(f) Repossessed collateral**

During the year ended 31 December 2012, the Company did not obtain any assets by taking possession of collateral held as security (2011: nil).

**25.2 Market risk**

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

**(a) Foreign exchange risk**

The company operates in Cambodia and transacts in US\$ and KHR, and is exposed to currency risk, primarily with respect to KHR. Foreign exchange risk arises from future commercial transaction and recognised assets and liabilities denominated in a currency that is not the company's functional currency.

The Company does not use derivative financial instruments such as foreign exchange contract to hedge its risk exposure as the amount is not significant as at 31 December 2012.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2012. Included in the table are the Company's financial instruments at carrying amount by currency in US\$ equivalent.

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.2 Market risk (continued)**

**(a) Foreign exchange risk (continued)**

	US\$	US\$	Total
	KHR		
<b>As at 31 December 2012</b>			
<b>Financial assets</b>			
Cash on hand	25,817	12,214	38,031
Balances with the Central Bank	1,779	2,314	4,093
Balances with banks	3,896	15,017	18,913
Loans to customers	5,417,976	60,876	5,478,852
Other assets	97,848	1,229	99,077
<b>Total financial assets</b>	<b>5,547,316</b>	<b>91,650</b>	<b>5,638,966</b>
<b>Financial liabilities</b>			
Bank overdraft	1,414,378	-	1,414,378
Borrowings	702,211	-	702,211
Other liabilities	10,150	-	10,150
<b>Total financial liabilities</b>	<b>2,126,739</b>	<b>-</b>	<b>2,126,739</b>
<b>Net financial assets</b>	<b>3,420,577</b>	<b>91,650</b>	<b>3,512,227</b>
	US\$	US\$	Total
	KHR		
<b>As at 31 December 2011</b>			
<b>Financial assets</b>			
Cash on hand	8,403	-	8,403
Balances with the Central Bank	1,517	2,324	3,841
Balances with banks	11,902	-	11,902
Loans to customers	4,656,242	-	4,656,242
Other assets	12,713	-	12,713
<b>Total financial assets</b>	<b>4,690,777</b>	<b>2,324</b>	<b>4,693,101</b>
<b>Financial liabilities</b>			
Bank overdraft	500,129	-	500,129
Borrowings	827,309	-	827,309
Other liabilities	82,262	-	82,262
<b>Total financial liabilities</b>	<b>1,409,700</b>	<b>-</b>	<b>1,409,700</b>
<b>Net financial assets</b>	<b>3,281,077</b>	<b>2,324</b>	<b>3,283,401</b>

**(b) Price risk**

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

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.2 Market risk (continued)**

**(c) Interest rate risk**

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

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at the carrying amounts, categorised by the earlier of either their contractual re-pricing or their maturity dates.

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**FINANCIAL RISK MANAGEMENT (continued)**

**Market risk (continued)**

**(c) Interest rate risk (continued)**

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Non- interest bearing US\$	Total US\$
<b>As at 31 December 2012</b>						
<b>Assets</b>						
Cash on hand	38,031	-	-	-	-	38,031
Balances with the Central Bank	-	-	-	-	4,093	4,093
Balances with banks	-	-	17,791	-	1,122	18,913
Loans to customers	5,075	35,780	958,891	4,483,460	-	5,483,206
Other assets	-	-	-	-	127,927	127,927
<b>Total financial assets</b>	<b>43,106</b>	<b>35,780</b>	<b>976,682</b>	<b>4,483,460</b>	<b>133,142</b>	<b>5,672,170</b>
<b>Liabilities</b>						
Bank overdraft	-	-	-	1,414,378	-	1,414,378
Borrowings	-	-	-	702,211	-	702,211
Other liabilities	-	-	-	-	10,150	10,150
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,116,589</b>	<b>10,150</b>	<b>2,126,739</b>
<b>Total interest re-pricing gap</b>	<b>43,106</b>	<b>35,780</b>	<b>976,682</b>	<b>2,366,871</b>	<b>122,992</b>	<b>3,545,431</b>
<b>As at 31 December 2011</b>						
Total financial assets	5,680	12,338	499,548	2,331,121	78,471	2,927,158
Total financial liabilities	-	-	-	1,132,309	78,320	1,210,629
<b>Total interest re-pricing gap</b>	<b>5,680</b>	<b>12,338</b>	<b>499,548</b>	<b>1,198,812</b>	<b>151</b>	<b>1,716,529</b>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.3 Liquidity risk**

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

**(a) Liquidity risk management process**

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

**(b) Funding approach**

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

**(c) Non-derivative cash flows**

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

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.3 Liquidity risk (continued)**

**(c) Non-derivative cash flows (continued)**

	<b>Up to 1 month US\$</b>	<b>1 - 3 months US\$</b>	<b>3 - 12 months US\$</b>	<b>1 - 5 years US\$</b>	<b>No fixed terms US\$</b>	<b>Total US\$</b>
<b>As at 31 December 2012</b>						
<b>Liabilities</b>						
Bank overdraft	-	-	1,414,378	-	-	1,414,378
Borrowings	-	171,000	-	626,829	-	797,829
Other liabilities	10,150	-	-	-	-	10,150
<b>Total financial liabilities</b>	<u>10,150</u>	<u>171,000</u>	<u>1,414,378</u>	<u>626,829</u>	-	<u>2,222,357</u>
<b>Total financial assets</b>						
(expected maturing dates)	<u>142,183</u>	<u>35,780</u>	<u>1,010,747</u>	<u>4,479,106</u>	<u>175,000</u>	<u>5,842,816</u>
<b>As at 31 December 2011</b>						
<b>Liabilities</b>						
Bank overdraft	-	-	500,129	-	-	500,129
Borrowings	-	-	-	827,309	-	827,309
Other liabilities	82,262	-	-	-	-	82,262
<b>Total financial liabilities</b>	<u>82,262</u>	<u>-</u>	<u>500,129</u>	<u>827,309</u>	-	<u>1,409,700</u>
<b>Total financial assets</b>						
(expected maturing dates)	<u>56,595</u>	<u>28,964</u>	<u>764,387</u>	<u>3,889,004</u>	<u>175,000</u>	<u>4,913,950</u>

**GREEN CENTRAL MICRO FINANCE LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**25. FINANCIAL RISK MANAGEMENT (continued)**

**25.3 Liquidity risk (continued)**

**(d) Off-balance-sheet items**

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as disclosed in Note 27.

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

**(a) Financial instruments measured at fair value**

The Company does not have any financial instruments measured at fair value.

**(b) Financial instruments not measured at fair value**

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Company's balance sheet at their fair value.

	<b>Carrying value</b>		<b>Fair value</b>	
	<b>2012</b> <b>US\$</b>	<b>2011</b> <b>US\$</b>	<b>2012</b> <b>US\$</b>	<b>2011</b> <b>US\$</b>
<b>Financial assets</b>				
Balances with the Central Bank	4,093	3,841	4,093	3,841
Balances with banks	18,913	48,072	18,913	48,072
Loans to customers	5,483,206	4,656,464	5,483,206	4,656,464
Other assets	127,927	58,562	127,927	58,562
	<b>5,634,139</b>	<b>4,766,939</b>	<b>5,634,139</b>	<b>4,766,939</b>
<b>Financial liabilities</b>				
Bank overdraft	1,414,378	2,020,021	1,414,378	2,020,021
Borrowings	702,211	3,341,501	702,211	3,341,501
Other liabilities	10,150	332,256	10,150	332,256
	<b>2,126,739</b>	<b>5,693,778</b>	<b>2,126,739</b>	<b>5,693,778</b>

## GREEN CENTRAL MICRO FINANCE LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### **25. FINANCIAL RISK MANAGEMENT (continued)**

##### **25.4 Fair value of financial assets and liabilities (continued)**

###### (b) Financial instruments not measured at fair value (continued)

###### (i) Balances with the Central Bank

Balances with the Central Bank include current accounts. The fair value of balances with the Central Bank approximates the carrying amount.

###### (ii) Balances with banks

Balances with banks include non-interest bearing current accounts and savings deposits. The fair value of balances with banks approximates the carrying amount.

###### (iii) Loans to customers

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

###### (iv) Borrowings

The fair value of borrowings is not quoted in an active market. Their value approximates the carrying amount.

##### **25.5 Capital management**

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

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

The table below summarises the composition of regulatory capital:

	<b>2012</b>		<b>2011</b>	
	US\$	KHR '000	US\$	KHR '000
<b>Tier 1 Capital</b>				
Share capital	3,500,000	13,982,500	3,500,000	14,136,500
Retained earnings	<u>326,430</u>	<u>1,304,088</u>	<u>136,583</u>	<u>551,659</u>
Total regulatory capital	<u><u>3,826,430</u></u>	<u><u>15,286,588</u></u>	<u><u>3,636,583</u></u>	<u><u>14,688,159</u></u>