

Annual Report 2018





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While Cambodia's banking and microfinance sector, as well as the remarkable real estate sector in recent years, has made the sector very competitive. From day to day, this has led the shareholders of microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** has tried to find the best strategies to develop and grow the company in the future. Currently, reliable political stability under the guidance of the Royal Government of Cambodia has made foreign investors interested in banking and microfinance institutions, these are the factors that make them grow. Cambodia, as well as the Cambodian people with happiness and peace, especially the private sector's contribution as a development partner With the Royal Government of Cambodia, while the steady growth of banking institutions and microfinance institutions has also shown remarkable growth. Identified in great scope, as well as contributing to economic growth and rural poverty reduction through the providing of services financing is available at Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** Citizens of low income or in remote areas . Realizing the potential of the market and the ability to create market, Fasmec Microfinance institution has decided and committed itself. Stronger to the mission of providing financial services to small and medium enterprises. This Institution will serves to small and medium enterprises by actively seeking product and production chains as well as profit-making services through social and corporate organizations. with regulatory authorities, in the current market situation, Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** Sustainable development through lending to consumer demand from all backgrounds and we expect to be a viable microfinance institution. There are various production chains for customer needs, as well as good service and quality staff and experience.



FASMEC'S HISTORY

Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** Is a newly established institution located at # 166, Norodom Boulevard, Sangkat Tonle Bassac, Chamkar Mon, Phnom Penh, Cambodia. Licensed to operate micro-finance and we got a license from the National Bank of Cambodia on September 5 2015, and the establishment was registered with the Ministry of Commerce and received a business certification on September 6, 2015 immediately, Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** was officially launched and started operations on September 7, 2015 on the same day. Our goal of setting up this microfinance is to provide a broad range of loans to all Cambodian people in need of capital, especially in small enterprises and medium both in Phnom Penh and in the countryside. In addition, this microfinance has examined its vision that the institution will become the establishment that provides more services and more branches and clients. As microfinance sectors are growing in the future, our institutions are contributing to the development of the community. In the economy and to help Cambodian youths find employment in the region and to increase incomes of low-income people and to enhance the microfinance sector to be development like our neighboring countries.

VISION

Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** To be the leading, sustainable micro-finance provider, helping clients to succeed in their businesses by providing suitable financial services to contribute to the development of Cambodia.



MISSION

Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** is committed to long-term social and financial sustainability and improving the income of its clients. FASMEC Microfinance PLC. provides loans, and other inclusive financial services countrywide, in particular to women and low income families in rural areas.



CORE VALUE

Microfinance Institution SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC. has a team of experienced with microfinance professionals and we are fully committed to providing financial and related services to customers who need financial support. We believe that our services be treated and respected in the financial sector in Cambodia.





PRODUCTS

There are three types of credit products:

A. Business Loan

To support new business processes and business expansion.

B. Small & Medium Loan

For the solution to your capital needs in expanding your business or marketing or investing in a business. Mission. Small and Medium sized businesses are offered various types of credit and service options. Fasmec microfinance institution fully supports SMEs with Riel and dollar loans with suitable low interest rates and easy conditions.

C. General Loan

It is a type of credit product for individual, very small, medium and large enterprises, with the objective of using clearly credit in creating new businesses and expanding existing businesses.

SERVICES

1. True Money Agent



2. Wing Agent



3. E-Money Agent



4. Through Office phone Number: 099 777 295/015 858 683

5. The office of the microfinance is located at 166, Norodom Boulevard

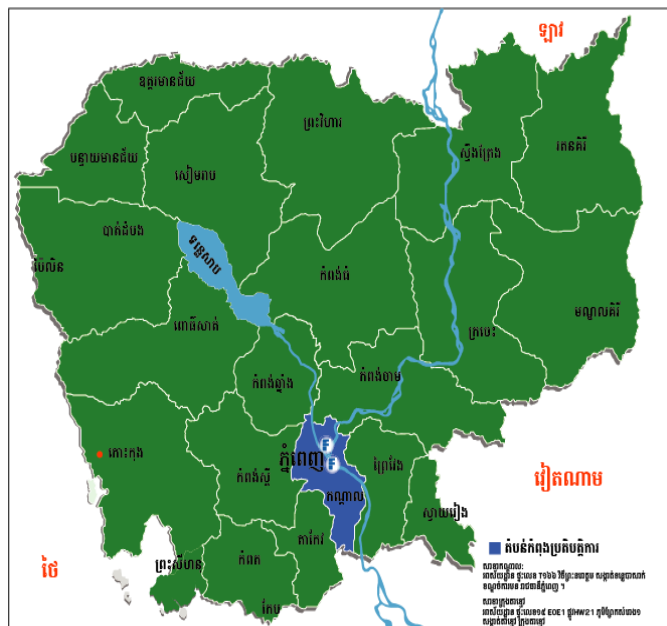
Tonle Bassac, Chamkar Morn, Phnom Penh, of Fasmec Microfinance Institution Plc.

Head Office

House#T166, Norodom Blvd, S/K Tonle Bassac,
Khan Chamkarmorn, Phnom Penh, Cambodia
Contact Phone Number : 023 901 578 /
099 777 291

Takmao Branch

House# 15 EoE1 Street HW 21, Somroung
Mouy Village, Sangkat Takmao, Takmao City,
Kandal Province. Cambodia





To beef up the staff capacity is a positive point to boost staff to understand the principles and strategies of the establishment. Moreover, we are strengthening good relationship between staff and staff and all management as well as staff at headquarters. As well as branch staff. The institution also builds a collaborative culture and other skills to serve its customers better, especially on customer service skills, as well as the institution has train the staff has trained the new staff of the policies of each department to understand clearly before meeting customers. The institution also offers customer acquisition solutions, retaining old customers and looking for new clients to keep up the good development and professionalism of employees of Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.**



Management and staff of FASEMC Microfinance Institution held a quarterly review meeting presided over by Ms. Te Kaklika, General Manager of Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** The objective of the meeting focusing on issues such as protecting old customers and finding new customers, improving on customer service, developing new strategies to meet the needs of current customers, and discussing the best internal management systems with efficacy and problem solving of all staff are handled transparently. each topic discussed was raised up for discussion thoroughly, fruitfully and consequences for the future.

PERFORMANCE HIGHLIGHT

Operational Performance សមិទ្ធផលប្រតិបត្តិការ 经营业绩	Year 2018 ឆ្នាំ២០១៨ 2018年	Year 2017 ឆ្នាំ២០១៧ 2017年	Year (Sept.2015 to 2016 ឆ្នាំ (កញ្ញា ១៥ & ២០១៦) 年 (九月.2015 至 2016)
Number of Braches ចំនួនសាខា 分支机构数量	1	1	1
Number of Villages Covered ចំនួនភូមិដែលប្រតិបត្តិការ 覆盖的村庄数量	48	57	56
Number of Communes Covered ចំនួនឃុំដែលប្រតិបត្តិការ 公社数量	46	47	44
Number of Districts Covered ចំនួនស្រុកដែលប្រតិបត្តិការ 区数量	20	28	22
Number of Provinces Covered ចំនួនខេត្តដែលប្រតិបត្តិការ 省数量	11	10	9
Loan Outstanding in (USD) ផលបំព្រុងឥណទានសរុប (គិតជាដុល្លារអាមេរិក) 贷款未付	2,414,258	2,356,781	1,911,742
Active Borrowers អតិថិជនសកម្ម 积极的借款省	126	118	82
Porfolio At Risk (PAR) >30days ផលបំព្រុងម៉ឺន្តិកក្នុងហានិភ័យលើសពី៣០ថ្ងៃ 风险投资组合 (PAR) > 30天	4.79%	2.12%	0%
Total of Staff ចំនួនបុគ្គលិកសរុប 员工总数	17	13	10

PERFORMANCE HIGHLIGHT

Financial Performance សមិទ្ធិផលហិរញ្ញវត្ថុ 财务绩效	Year 2018 ឆ្នាំ២០១៨ 2018年	Year 2017 ឆ្នាំ២០១៧ 2017年	Year (Sept.2015 to 2016 ឆ្នាំ (កញ្ញា ១៥ & ២០១៦) 年 (九月.2015 至 2016)
Total Income in (USD) ចំណូលសរុប(គិតជាដុល្លារអាមេរិក) 总收入 (美元)	482,025	458,442	417,742
Total Expense in (USD) ចំណាយសរុប (គិតជាដុល្លារអាមេរិក) 总费用 (美元)	509,871	289,714	315,664
Profit or Loss after Tax in (USD) ចំណេញសុទ្ធក្រោយការបង់ពន្ធ (គិតជាដុល្លារ) 税后利润或亏损 (美元)	(27,846)	168,728	97,078
Total Borrowing in (USD) សរុបកម្ចី (គិតជាដុល្លារអាមេរិក) 负债会计 (美元)	673,000	607,000	860,000
Total Assets in (USD) ទ្រព្យសកម្មសរុប(គិតជាដុល្លារអាមេរិក) 资产会计 (美元)	2,435,864	2,496,219	2,037,178
Total Equity in (USD) មូលធនសរុប (គិតជាដុល្លារអាមេរិក) 总权益会计 (美元)	1,737,960	1,765,806	1,097,078
Paid-up Capital in USD ដើមទុនចុះបញ្ជី (គិតជាដុល្លារអាមេរិក) 美元支付资本	1,500,000	1,500,000	1,000,000

PERFORMANCE HIGHLIGHT

Ratio Financial Performance អនុបាតសមិទ្ធិផលហិរញ្ញវត្ថុ 比率财务业绩	Year 2018 ឆ្នាំ២០១៨ 2018年	Year 2017 ឆ្នាំ២០១៧ 2017年	Year (Sept.2015 to 2016 ឆ្នាំ (កញ្ញា ១៥ & ២០១៦) 年 (九月.2015 至 2016)
Return on Asset (ROA) ចំណូលធៀបនឹងទ្រព្យសកម្ម 资产回报率	(1.13%)	7.44%	4.76%
Return on Equity (ROE) ចំណូលធៀបនឹងមូលធន 股本回报率	(1.60%)	9.56%	8.45%
Liquidity Ratio អនុបាតសាច់ប្រាក់ងាយស្រួល 流动性比率	100%	100%	100%
Solvency Ratio អនុបាតសធនភាព 偿付能力比率	66.94%	71.88%	52.45%



Operational Performance	Year 2018	Year 2017	Year (Sept.2015 to 2016)
Number of Braches	1	1	1
Number of Villages Covered	48	57	56
Number of Communes Covered	46	47	44
Number of Districts Covered	20	28	22
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Loan Outstanding in (USD)	2,414,258	2,356,781	1,911,742
Active Borrowers	126	118	82
Porfolio At Risk (PAR) >30days	4.79%	2.12%	0%
Total of Staff	17	13	10

PERFORMANCE HIGHLIGHT

Financial Performance	Year 2018	Year 2017	Year (Sept.2015 to 2016)
Total Income in (USD)	482,025	458,442	417,742
Total Expense in (USD)	509,871	289,714	315,664
Profit or Loss after Tax in (USD)	(27,846)	168,728	97,078
Total Borrowing in (USD)	673,000	607,000	860,000
Total Assets in (USD)	2,435,864	2,496,219	2,037,178
Total Equity in (USD)	1,737,960	1,765,806	1,097,078
Paid-up Capital in USD	1,500,000	1,500,000	1,000,000

Ratio Financial Performance	Year 2018	Year 2017	Year (Sept.2015 to 2016)
Return on Asset (ROA)	(1.13%)	7.44%	4.76%
Return on Equity (ROE)	(1.60%)	9.56%	8.45%
Liquidity Ratio	100%	100%	100%
Solvency Ratio	66.94%	71.88%	52.45%



Mr. ROS HENGBUN
Chairman of Board

Since I joined business in Cambodia microfinance sector with Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** I have been satisfied and excited about the achievements of previous years. This microfinance Institution is a fast growing institution and the market of microfinance have the opportunity, both presently and in the future. It is good and pleasure to contribute to Cambodia's economic growth through our business. It's also a good thing and It is interesting for me to develop a very interesting business for Cambodia's financial markets are growing. We focused on the initial response to customer demands from the fund since its establishment. We will prioritize to instruct and train our staff, and we also want to be an institute that can advise clients on their business model and future cash flow. We will do our best to contribute to Cambodia's economic growth and will continue to support the Cambodian people through our business by providing loans to Small Medium Enterprise (SMEs.)

On behalf of the Board of Directors and the shareholders of the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** I am delighted to receive the results we have achieved. In the year 2018, I am very grateful to the management and management as well as to all the staff who have worked hard to change. We take care of our past work and contribute valuable ideas to our establishment, and I would like to thank customers of this Institution have been confidential and thank our partners, businessmen, and Cambodian Microfinance Association as well as The National Bank of Cambodia, which always helps our institution.



OKNHA TE TAINGPOR

Member of Board and CEO

Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** Was established on September 7, 2015, establishing this Institution, as it sees the important role of Small Medium Enterprise (SMEs) of Cambodia's economic structure has helped economic and social development. The sector of SMEs have helped: (1) building on-the-spot jobs for the Cambodian people, (2) increasing incomes for low-income and vulnerable people; (3) promoting economic growth, maintaining social stability, and engaging in the rapidly expansion of the private sector as well. the major challenge of SMEs is the issue of access to financial support from a recent IFC (International Finance Cooperation) project, as well as CDRI (Cambodia Development Resource Institute), particularly micro-small enterprises. Encountered difficulties in obtaining loans from banks and MFIs because of the high collateral requirements of the contract. Loans remain complex and internal

problems of micro, small enterprises and small enterprises themselves, such as failing to prepare a clear financial statement, no business plan, legal arrangement (registration), etc. looking at this issue, but still unresolved, the Board of Directors of Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** has convened a meeting to agree to establish a microfinance institution to provide loans to members As well as other SMEs who are experiencing these problems. After the establishment of the MFI, we started investing from the Board of Directors for \$ 1 million. Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** utilizes its full potential in the era of changes that the Royal Government has been improving the business environment in Cambodia. The business of small and medium enterprises has been getting improvement.

Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** will not only make itself a lender but we will arrange a full package for our small and medium-sized enterprises using our loans. This Institution will develop into a bank that will provide more loan size to small and medium enterprises, and expand the scope of lending to enterprise owners in 25 provinces and cities of the Kingdom of Cambodia.

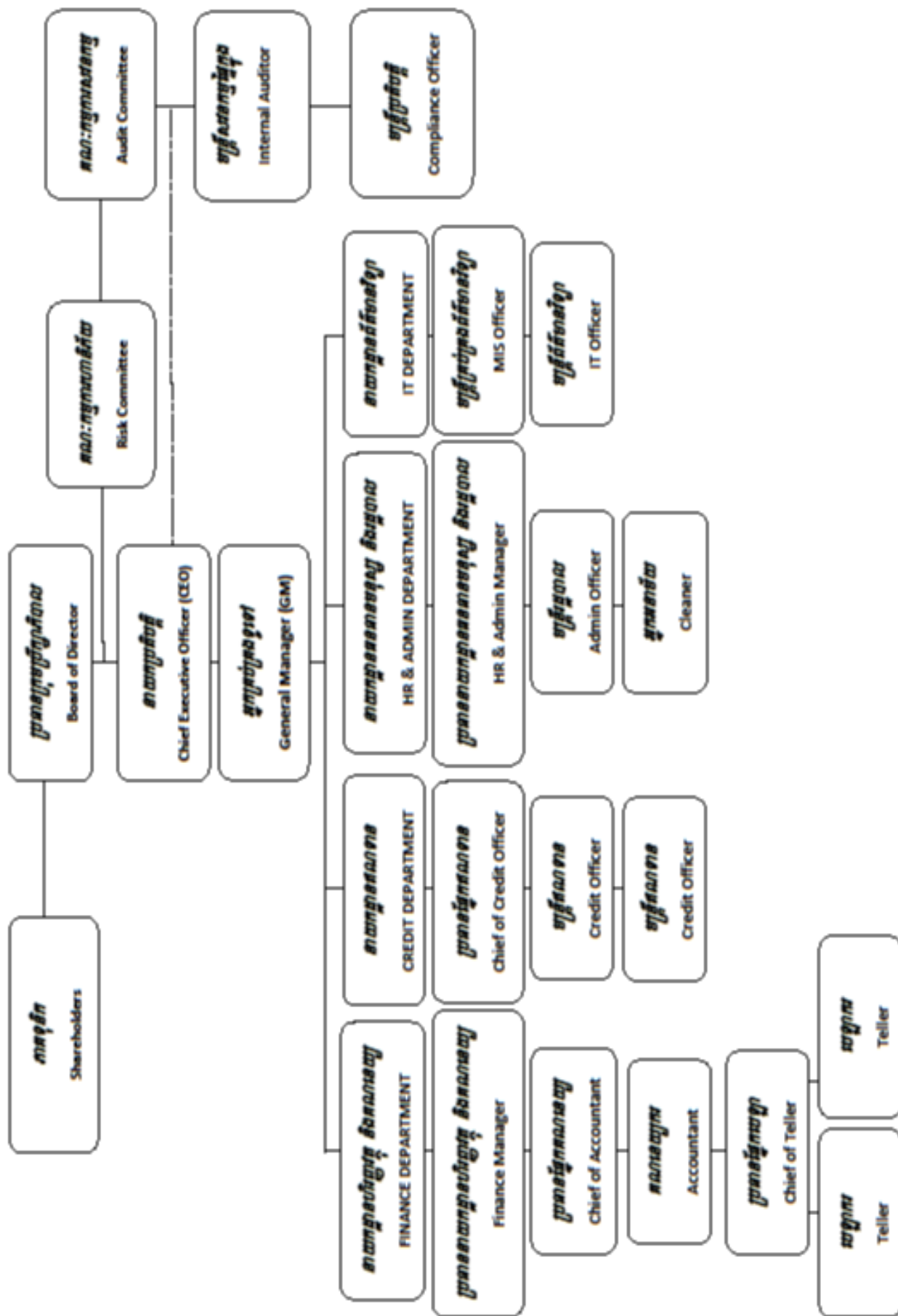
On the behalf of shareholders and members of the Board of Directors of Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** Is pleased to have achieved the results we achieved in 2018 and I would like to thank Managements and managers, as well as all staff who have worked hard in the past I would like to express my sincere thanks to the trusted clients of our clients and to our partners, businesspeople and the Cambodian Microfinance Association, as well as to the National Bank of Cambodia who will always help the idea for our establishment.

CEO

OKNHA TE TAINGPOR

របាយការណ៍ប្រចាំឆ្នាំ ២០១៨ របស់ ក្រុមហ៊ុន ហ្វាសមេក មីក្រូហិរញ្ញវត្ថុ សម្ព័ន្ធសហគមន៍ហិរញ្ញវត្ថុជាតិ កម្ពុជា គ.រ.ក ឆ្នាំ ២០១៨

FASMEC Microfinance PLC's Organization Chart 2018





Mr. ROUS HENGBUN

Chairman of Board



OKNHA TE TAINGPOR

Member of Board



OKNHA SOK HENG

Member of Board



OKNHA TE TAINGPOR

CEO and SHAREHOLDER



MS. TE KAKLIKA

GENERAL MANAGER and SHAREHOLDER



MR. ROS HENGBUN

SHAREHOLDER



LORKSREY OKNHA

SHAREHOLDER

SEANG CHANHENG



MS. ETHDA LONGTHIDAVY

SHAREHOLDER



OKNHA TE TAINGPOR
CEO

OKNHA TE TAINGPOR, was born in 1958 and he can speak five languages such as Khmer, Chinese, Thai, Vietnamese and English. He is a businessman with many goods such as rice, cassava and other livestock for supplying neighboring countries such as Thailand and Vietnam since 1986. He, then, changed his business into gold and silver traders since 1984. He started establish a company to supply soap to the government until 1993, and then he started involved in real estate sector. Since 1999, **OKNHA TE TAINGPOR** has been co-director of the team working of the Government Private SME (GPSF) with his Cambodian counterpart, Minister of Industry and Handicrafts. Currently, **OKNHA TE TAINGPOR** is a member of the Board of Directors, Shareholder and Chief Executive Officer of Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.**



MS. TE KAKLIKA
GENERAL MANAGER

Ms. TE KAKLIKA is currently a shareholder and General Manager of Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** to present. She has held the position of General Manager since December 2016. She has been in charge of managing all Finance and Accounting Department, Human Resources and Administration Department, Credit Department, and IT Department. She holds a Master's degree in Finance and Banking at Norton University in 2015 and a Bachelor of Finance and Banking from National University of Management in 2011. She is a former Director of Real Goal Event Management from 2011 to 2015. In particular, she has the ability to speak fluent English and Chinese fluently.



MR.KAN VICHETH
FINANCE MANAGER

Mr. KAN VICHETH started working for the banking industry for the first time in 1995, acting as a bank employee, and then he completed a course of accounting and computer training at KYDO organization and until ending 1997 he resigned from the bank, having started his career as an English teacher at a local Institute of his homeland.

In year 2003, he returned to the banking sector, where he worked as a bank staff, and in 2005 he was promoted to an accountant and then promoted as finance manager's assistant of that bank. In 2007, he was responsible for the preparation of the financial statements, as well as the report of the National Bank of Cambodia and other reports as well as Taxpayer and he trained the next generations.

He earned a Bachelor degree of Accounting and Finance from Build Bright University in 2007, and he attended several short courses in banking and micro finance sector, taxation and other software management systems. In 2010, he decided to change from banking sector to microfinance, he was in charge of the financial management and accounting of a new MFI of Korean for seven years there, he was responsible for the work of the entire Finance Department.

Besides, he has been involved in formulating a five-year financial plan, and join in establishment branch of this institution and other affiliate. Until April 2018, he joined Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** Finance and accounting department, and get all the work in the premises, as well as previous responsibilities.



MS. HEANG SOPHEA

**MANAGER OF HUMNA RE-
SOURCE AND ADMINISTRATION**

MS. HEANG SOPHEA obtained a Master's Degree of Business Administration, who graduated from the National University of Management in 2016, and holds a Bachelor of Finance and Banking from the National University of Management and a Bachelor of Arts in English Literature. She has had experience in human resources management and administration for many years. Currently, she serves as Manager of Human Resources and Administration Department at Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.**

Starting with March 2017. She attended various seminars, conferences and meetings with institutions, both private and public institutions, especially in the microfinance sector and related to human resource management and administration. In addition, she has the ability to speak in three languages: English, Chinese and Thai, completed by the Institute of Foreign Languages (IFL).



MR. BUTH SINATH
CHIEF OF CREDIT OFFICER

MR. BUTH SINATH graduated bachelor degree at Human Resource University specialized in Management and has studied administrative and secretarial skills at Cambodian University of Specialties and has completed short courses related to microfinance, finance and banking as well as development of mindset. And how to manage some other institutions.

MR. BUTH SINATH has worked for microfinance and banking sector for many years since late 2009 until the present. And in early 2018, he joined with Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.**



MR. NOV CHANTHEARA
SENIOR INFORMATIC TECHNOLOGY

MR. NOV CHANTHEARA earned Bachelor Degree of Management Information System (**MIS**) at SETEC institute in 2016. He has had extremely practices and experiences over 4 years in Banking and Finance Sectors. He has been appointed as Senior of IT at Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** and responsible for leading and controlling IT Department supported services Core Banking System and Network Administrator.









FASMEC Management and staff managed food and with some money to contribute of Pchum Ben Day festival with a satisfactory enjoyment in Khmer traditional clothes adhere to the Khmer culture and Buddhism, the national religion.







Annual Financial Report 2018

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DIRECTORS' REPORT

The Board of Directors ("the Directors") is pleased to present its report and the audited financial statements of Microfinance Institution Samporn Samakum Sahakreas Thuntoch Neung Matjum Kampuchea Plc. ("the Company") for the year ended 31 December 2018.

THE COMPANY

The Company was incorporated as public limited company in the Kingdom of Cambodia under registration number Co. 2859 KH/2015 dated 6 August 2015 with the Ministry of Commerce. On 4 September 2016, the Company obtained license from the National Bank of Cambodia (the Central Bank) to operate as a micro-finance institution.

PRINCIPAL ACTIVITY

The Company is principally engaged in providing micro financial services and other related financial services within the scope of micro-finance license in Cambodia.

FINANCIAL PERFORMANCE

The financial performance of the Company for the year ended 31 December 2018 is set out in the income statement on page 8 of the financial statements.

SHARE CAPITAL

The Company's registered and paid-up capital was US\$1,000,000 as at 31 December 2017. On 21 December 2016, shareholders has signed a shareholder resolution to inject additional capital in cash of US\$500,000. This additional capital has been paid during 2017. The Central Bank approved this capital contribution on 22 June 2017. The Company is in the process of obtaining the revised Article of Association ("AOA") with Ministry of Commerce. Once Ministry of Commerce approved the revised AOA, the capital contribution need to transfer to share capital. Accordance to new articles of association approved by NBC (29-December-2017), number of share capitals 1,000,000 and price of share 1.5\$ per share.

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 relation to the writing off of bad loans or making of allowances for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report and based on the best of knowledge, 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 material extent.

ASSETS

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

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and

no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of its business operations.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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 2018.

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 holding office during the year and as at the date of this report are:

Mr. Ros Hengbun

Chairman

Lok Oknha Te Taingpor

Member of the Board of Directors

Lok Oknha Sok Heng

Member of the Board of Directors

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 judgements and estimates and then apply them consistently;
- comply with the disclosure requirements of the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there have been any departures in the interest of true and fair presentation, ensure they have been appropriately disclosed, explained and quantified in the financial statements;
- 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
- set overall policies for the Company, ratify all decisions and actions by the Directors that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, which present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended, in accordance with guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards were approved by the Board of Directors.

On behalf of the Board of Directors



Lok Oknha Te Taingpor
Member and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 06 May 2019

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS

MICROFINANCE INSTITUTION SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC

Opinion

We have audited the financial statements MICROFINANCE INSTITUTION SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC ("the Institution"), which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2018, and notes, comprising significant accounting policies and other explanatory information as set out on pages 7 to 44.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 December 2018 of the Institution and its financial performance and its cash flows for the year ended 31 December 2018 in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Institution as at and for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 24 April 2018.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the report of the Directors on page 1 to 3, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia, 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.

In preparing the financial statements, management is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institution's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Institution's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

-Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Institution to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements,

including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of HRDP and Associates Co., Ltd



Peou Dara

Partner

Phnom Penh, Kingdom of Cambodia

Date: 06 May 2019

**BALANCE SHEET
AS AT 31 DECEMBER 2018**

		As at 31 December 2018		As at 31 December 2017
	Note	US\$	KHR'000	US\$
ASSETS				
Cash on hand	4	5,116	20,556	3,868
Balances with the Central Bank	5	75,645	303,942	75,302
Balances with other banks	6	3,851	15,473	183
Loans to customers	7	2,289,835	9,200,557	2,351,781
Other assets	8	33,661	135,254	29,430
Property and equipment	9	18,150	72,923	25,671
Intangible assets	10	6,150	24,711	9,750
Deferred tax assets	13	3,456	13,886	234
TOTAL ASSETS		2,435,864	9,787,302	2,496,219
LIABILITIES AND EQUITY				
LIABILITIES				
Borrowings	11	673,000	2,704,114	607,000
Other liabilities	12	24,799	99,643	81,004
Current income tax liabilities	20	105	422	42,409
TOTAL LIABILITIES		697,904	2,804,179	730,413
EQUITY				
Share capital	14 (i)	1,500,000	6,027,000	1,000,000
Capital contribution		-	-	500,000
Retained earnings		237,960	956,123	265,806
TOTAL EQUITY		1,737,960	6,983,123	1,765,806
TOTAL LIABILITIES AND EQUITY		2,435,864	9,787,302	2,496,219

INCOME STATEMENT AS AT 31 DECEMBER 2018

	Note	For the year ended 31 December 2018		For the year ended 31 December 2017
		US\$	KHR'000	US\$
Interest income	15	405,150	1,627,893	414,326
Interest expense	16	(59,861)	(240,521)	(87,252)
Net interest income		345,289	1,387,372	327,074
Other operating income	17	76,875	308,884	44,116
Operating income		422,164	1,696,256	371,190
Personnel expenses	18	(111,740)	(448,971)	(82,702)
Depreciation and amortisation charges		(18,142)	(72,895)	(17,534)
General and administrative expenses	19	(96,096)	(386,114)	(52,843)
Operating profit		196,186	788,276	218,111
Provision for bad and doubtful loans	7	(222,431)	(893,728)	(5,000)
Profit before income tax		(26,245)	(105,448)	213,111
Income tax expense	20	(1,601)	(6,433)	(44,383)
Profit for the year/period		(27,846)	(111,881)	168,728
Profit attributable to owners of the Company		(27,846)	(111,885)	168,728

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT 31 DECEMBER 2018

	Attributable to owners of the Company			
	Share capital	Capital contribution	Retained earnings	Total
	US\$	US\$	US\$	US\$
For the period of 31 December 2017				
Balance as December 2017 (date of incorporation)	1,000,000	-	97,078	1,097,078
Paid up capital	-	500,000	-	500,000
Profit for the period	-	-	168,728	168,728
Balance as at 31 December 2017	1,000,000	500,000	265,806	1,765,806
<i>In KHR' 000 equivalent</i>	<u>4,037,000</u>	<u>2,018,500</u>	<u>1,073,059</u>	<u>7,128,559</u>
For the year ended 31 December 2018				
Balance as at 1 January 2018	1,500,000	-	265,806	1,765,806
Capital contribution	-	-	-	-
Profit for the year	-	-	(27,846)	(27,846)
Balance as at 31 December 2018	1,500,000	-	237,960	1,737,960
<i>In KHR' 000 equivalent</i>	<u>6,027,000</u>	-	<u>956,123</u>	<u>6,983,123</u>

Accordance to new articles of association approved by NBC (29-December-2017), number of share capitals 1,000,000 and price of share 1.5\$ per share.

STATEMENT OF CASH FLOW As at 31 December 2018

STATEMENT OF CASH FLOW AS AT 31 DECEMBER 2018

		For the year ended		For the year ended
		31 December 2018		31 December 2017
	Note	US\$	KHR'000	US\$
Cash flow from operating activities				
Profit before income tax		(26,245)	(105,452)	213,111
Adjustments for:				
Provision for bad and doubtful loans	7	222,431	893,728	5,000
Loan write-off		(103,008)	(413,886)	
Depreciation charge	9	14,542	58,430	13,934
Amortisation charge	10	3,600	14,465	3,600
Interest income	15	(405,150)	(1,627,893)	(414,326)
Interest expense	16	59,861	240,521	87,252
		(233,969)	(940,087)	(91,429)
Changes in working capital:				
Loans to customers	7	(57,477)	(230,943)	(445,039)
Other assets		(6,117)	(24,578)	174
Other liabilities		6,908	27,756	(8,230)
Cash used in operations		(290,655)	(1,167,852)	(544,524)
Interest income received		407,036	1,635,471	408,941
Interest expense paid		(122,974)	(494,110)	(54,848)
Income tax paid	20 (i)	(47,127)	(189,356)	(25,478)
Net cash used in operating activities		(53,720)	(215,847)	(215,909)
Cash flows from investing activities				
Capital guarantee with the Central Bank		-	-	(25,000)
Purchases of property and equipment	9	(7,021)	(28,210)	(11,296)
Purchases of intangible assets	10	-	-	-
Net cash used in investing activities		(7,021)	(28,210)	(36,296)
Cash flows from financing activities				
Proceeds from issuance of share capital		-	-	500,000
Borrowings		66,000	265,188	(253,000)
Net cash generated from financing activities		66,000	265,188	247,000
Net (decrease)/increase in cash and cash equivalents		5,259	21,135	(5,205)
Cash and cash equivalents at beginning of the year/period		4,353	17,490	9,558
Cash and cash equivalents at the end of the year/period	21	9,612	38,621	4,353

NOTE TO THE FINANCIAL TATEMENTS AS AT 31 DECEMBER 2018

1. BACKGROUND INFORMATION

Microfinance Institution Samporn Samakum Sahakreas Thuntoch Neung Matjum Kampuchea Plc. (the Company) was incorporated as public limited company in the Kingdom of Cambodia under registration number Co. 2859 KH/2015 dated 6 August 2015 with the Ministry of Commerce. On 4 September 2016, the Company obtained license from the National Bank of Cambodia (the Central Bank) to operate as a micro-finance institution.

The Company is principally engaged in providing micro financial services and other related financial services within the scope of micro-finance license in Cambodia.

The registered office of the Company is located #166T, Norodom Blvd, Sangkat Tonle Basak, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

The financial statements were authorised for issue by the Board of Directors on 06 May 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The financial statements are prepared using the historical cost convention. Comparative figures are for the period 31 December 2018. Consequently, comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.

The preparation of financial statements in accordance with the guidelines issued by the National Bank of Cambodia 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 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 event and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

NOTE TO THE FINANCIAL TATEMENTS AS AT 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (CONTINUED)

Comparative figures are for the 31 December 2018. Consequently, comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.

2.2 Changes in financial reporting framework

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance (the National Accounting Council) announced the adoption of Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by the International Accounting Standard Board (IASB), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

Circular 058 MoEF.NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to delay adoption of CIFRS until periods beginning on or after 1 January 2019.

CAS, the current accounting standard used, is different to CIFRS in many areas. Hence, the adoption of CIFRS will have some impacts on the financial statements of the Company.

2.3 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in currencies other than US\$, the functional and presentation currency, are translated into US\$ at the exchange rates prevailing at the dates of 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.

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Foreign currency translation (CONTINUED)***(iii) Presentation in Khmer Riel*

For the sole regulatory purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation into Khmer Riel ('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 31 December 2018 using the closing official exchange rate published by the Central Bank as at the reporting date, which was US\$1 equal to KHR 4,018 (31 December 2017: US\$1 to KHR 4,037). 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.

2.4 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of three months or less from the date of acquisition, including cash on hand, the non-restricted balances with the Central Bank and balances with banks.

2.5 Loans to customers

Loans to customers are stated in the balance sheet at the amount of the 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 to customers is recognised in the income statement.

2.6 Provision for bad and doubtful loans

On 1 December 2017, the Central Bank issued a new Prakas No.B7-017-344 on credit risk classification and provision on impairment for banks and financial institutions. Loans and advances, other financial products and off-balance sheet financial commitments are classified into five classifications and the regulatory provision is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral, unless other information is available to indicate worsening.

On 16 February 2018, the Central Bank issued Circular No.B7-018-001 on implementation of credit risk classification and provision on impairment for banks and financial institutions. Banks and financial institutions are allowed to follow the previous Prakas No. B7-02-186 on loan classification and provisioning for the financial statements for the year ended 31 December 2017 if they have difficulties to implement the new Prakas No. B7-017-344.

The Company opted to implement and follow the previous Prakas No. B7-02-186 dated on 13 September 2002 for recognising provision for the year ended 31 December 2017 on assets classification and provisioning for banks and financial institutions. It applies for loans and advances or other assets with similar nature.

NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Provision for bad and doubtful loans (CONTINUED)

The table below shows loan classifications and minimum provisioning requirements:

Prakas No. B7-02-186

Classification	Number of days past due	Provision
<i>Short term loan (less than one year):</i>		
Standard	0 - 29 days	0%
Substandard	30 - 59 days	10%
Doubtful	60 - 89 days	30%
Loss	90 days or more	100%
<i>Long term loan (more than one year):</i>		
Standard	0 - 29 days	0%
Substandard	30 - 179 days	10%
Doubtful	180 - 359 days	30%
Loss	360 days or more	100%

Prakas No. B7-017-344

Classification	Number of days past due	Allowance
<i>Short-term loans (less than or equal one year):</i>		
Normal/standard	<15 days	1%
Special mention	15 days – 30 days	3%
Substandard	<u>31 days – 60 days</u>	20%
Doubtful	61 days – 90 days	50%
Loss	<u>≥ 91 days</u>	100%
<i>Long-term loans (more than one year):</i>		
Normal/standard	<30 days	1%
Special mention	30 days – 89 days	3%
Substandard	90 days – 179 days	20%
Doubtful	180 days – 359 days	50%
Loss	≥ 360 days	100%

The institution decided to adopt prospectively all requirements of Prakas No. B7-017-344 including the calculation of provision on impairment in its financial statements in the financial year 2018.

The management is evaluating the likely impact on the financial statements as the result from the adoption of this new credit risk grading and provision on impairment policy.

NOTE TO THE FINANCIAL TATEMENTS

AS AT 31 DECEMBER 2018

2.7 Property and equipment

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

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

Depreciation of property and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets at the following annual rates:

	<i>Useful lives</i>
Leasehold improvements	Shorter of lease period and its economic lives
Office equipment	4 years
IT and computer equipment	4 years
Furniture and fixtures	4 years

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

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

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

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.8 Intangible assets**

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised over their estimate useful lives of 5 years using straight-line method.

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

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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.

NOTE TO THE FINANCIAL TATEMENTS AS AT 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Interest income and expense recognition

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

Fees and commissions represent for loan processing fees that are recognised as income when loan is disbursed.

2.14 Operating leases

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

2.15 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 country where the Company operates and generates taxable income.

Deferred tax is provided using the 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 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.

NOTE TO THE FINANCIAL TATEMENTS AS AT 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Related party transactions

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

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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.

Impairment losses on loans to customers

The Company is required to follow the mandatory credit classification and provisioning in accordance with the 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. Management believes that the loan aging (by past due days) as a basis to determine the loan classification is appropriate to determine the adequacy of impairment losses on loans so as to follow this Prakas.

Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

4. CASH ON HAND

	<u>As at 31 December 2018</u>		<u>As at 31 December 2017</u>
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Head office	5,116	20,556	3,868
	5,116	20,556	3,868

The above amounts are analysed by currency as follows:

	<u>As at 31 December 2018</u>		<u>As at 31 December 2017</u>
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
US Dollars	4,642	18,651	3,502
Khmer Riel	474	1,905	366
	5,116	20,556	3,868

5. BALANCES WITH THE CENTRAL BANK

	<u>As at 31 December 2018</u>		<u>As at 31 December 2017</u>
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>
Statutory capital deposit	75,000	301,350	75,000
Current account	645	2,592	302
	75,645	303,942	75,302

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 paid-up capital. This deposit is refundable should the Company voluntarily liquidate.

Interest rates

The statutory capital deposit in US\$ earns interest at 0.11% per annum (2017: 0.11 per annum). The interest payment is settled semi-annually.

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

6. BALANCES WITH OTHER BANKS

These represent the current account held at local bank which are non-interest-bearing.

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Current account with other banks	3,890	15,630	183
Provision 1% on placement with other bank	(39)	(157)	-
	3,851	15,473	183

7. LOANS TO CUSTOMERS

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Individual loans	2,374,258	9,539,769	2,276,690
Commercial loans	40,000	160,720	80,091
	2,414,258	9,700,489	2,356,781
Provision for bad and doubtful loans			
Specific	100,990	405,778	5,000
General	23,433	94,154	-
	124,423	499,932	5,000
	2,289,835	9,200,557	2,351,781

The movement in the allowance for bad and doubtful loans and advances is as follows:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Beginning	5,000	20,090	-
Allowance/(reversal of allowance) for bad and doubtful loans and advances	222,431	893,728	5,000
Loan write-off	(103,008)	(413,886)	-
Balance at the end	124,423	499,932	5,000

Loans to customers are analysed as follows:

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

7. LOANS TO CUSTOMERS (CONTINUED)

a) By classification:

(b) By maturity:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Standard loans:			
Secured	1,821,187	7,317,530	1,662,403
Unsecured	455,079	1,828,507	644,378
Special Mention loans:			
Secured	22,361	89,847	-
Unsecured	-	-	-
Substandard loans:			
Secured	18,124	72,822	-
Unsecured	-	-	50,000
Doubtful loans:			
Secured	-	-	-
Unsecured	284	1,141	-
Loss loans:			
Secured	-	-	-
Unsecured	97,223	390,642	-
	2,414,258	9,700,489	2,356,781

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Less than one month	-	-	110,966
One month but less than three months	30,000	120,540	561,461
Three months but less than twelve months	1,275,172	5,123,641	947,223
One year but less than five years	1,109,086	4,456,308	737,131
Later than five years	-	-	-
	2,414,258	9,700,489	2,356,781

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

7. LOANS TO CUSTOMERS (CONTINUED)

(c) By currency:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
US Dollars	2,403,639	9,657,822	2,356,781
KHR Riels	10,619	42,667	-
	2,414,258	9,700,489	2,356,781

(d) By industry:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Agriculture	344,076	1,382,497	947,823
Service	802,267	3,223,509	385,730
Trade and commerce	983,129	3,950,212	875,976
Construction	-	-	25,627
Household/family	179,144	719,801	18,068
Transportation	944	3,793	-
Others	104,698	420,677	103,557
	2,414,258	9,700,489	2,356,781

(e) By residency status:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Residents	2,414,258	9,700,489	2,356,781

(f) By relationship:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
External customers	2,303,758	9,256,500	2,255,825
Related parties:			
Shareholders	40,000	160,720	-
Closed family members of shareholders	70,500	283,269	100,956
	2,414,258	9,700,489	2,356,781

**NOTE TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018**

7. LOANS TO CUSTOMERS (CONTINUED)

(g) By location:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Phnom Penh	1,455,487	5,848,147	1,235,523
Kandal	437,429	1,757,590	361,810
Battambang	231,038	928,311	103,324
Kampong Speu	191,124	767,936	-
Sihanoukville	29,488	118,483	46,481
Kampong Thom	25,177	101,161	14,293
Takeo	17,792	71,488	-
Pursat	16,974	68,202	19,500
Kampot	4,000	16,072	120,667
Prey Veng	2,462	9,892	-
Banteay Meanchey	2,287	9,189	-
Kampong Cham	1,000	4,018	71,000
Tboung Khmum	-	-	380,000
Siem Reap	-	-	3,958
Svay Rieng	-	-	225
	2,414,258	9,700,489	2,356,781

(h) By interest rate:

The annual interest rates during the year are as follows:

	As at 31 December 2018	As at 31 December 2017
External customers	16.80% to 30%	16.80% to 30%
Related parties	18%	18%

8. OTHER ASSETS

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Accrued interest receivables	22,680	91,128	24,566
Deposits	8,634	34,691	3,412
Prepayments	2,231	8,964	1,452
Foreign Exchange	116	467	-
	33,661	135,250	29,430

**NOTE TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018**

7. LOANS TO CUSTOMERS (CONTINUED)

(g) By location:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Phnom Penh	1,455,487	5,848,147	1,235,523
Kandal	437,429	1,757,590	361,810
Battambang	231,038	928,311	103,324
Kampong Speu	191,124	767,936	-
Sihanoukville	29,488	118,483	46,481
Kampong Thom	25,177	101,161	14,293
Takeo	17,792	71,488	-
Pursat	16,974	68,202	19,500
Kampot	4,000	16,072	120,667
Prey Veng	2,462	9,892	-
Banteay Meanchey	2,287	9,189	-
Kampong Cham	1,000	4,018	71,000
Tboung Khmum	-	-	380,000
Siem Reap	-	-	3,958
Svay Rieng	-	-	225
	2,414,258	9,700,489	2,356,781

(h) By interest rate:

The annual interest rates during the year are as follows:

	As at 31 December 2018	As at 31 December 2017
External customers	16.80% to 30%	16.80% to 30%
Related parties	18%	18%

8. OTHER ASSETS

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Accrued interest receivables	22,680	91,128	24,566
Deposits	8,634	34,691	3,412
Prepayments	2,231	8,964	1,452
Foreign Exchange	116	467	-
	33,661	135,250	29,430

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

9. PROPERTY AND EQUIPMENT

	Leasehold im- provement US\$	Office equip- ment US\$	IT and com- puter equip- ment US\$	furniture and fix- tures US\$	Total US\$
For the year ended 31 Decem- ber 2017					
As at 1 January 2017	6,915	6,482	6,622	8,290	28,309
Additions	4,354	565	5,332	1,045	11,296
Depreciation charge	(4,885)	(2,364)	(3,387)	(3,298)	(13,934)
Closing net book value	6,384	4,683	8,567	6,037	25,671
As at 31 December 2017					
Cost	16,247	9,780	15,586	13,373	54,986
Accumulated depreciation	(9,863)	(5,097)	(7,019)	(7,336)	(29,315)
Net book value	6,384	4,683	8,567	6,037	25,671
In KHR'000 equivalent	25,772	18,905	34,585	24,372	103,634
For the year ended 31 December 2018					
As at 1 January 2018	6,384	4,683	8,567	6,037	25,671
Additions	733	2,520	2,726	1,042	7,021
Depreciation charge	(4,105)	(2,632)	(4,340)	(3,465)	(14,542)
Closing net book value	3,012	4,571	6,953	3,614	18,150
As at 31 December 2018					
Cost	16,980	12,300	18,312	14,415	62,007
Accumulated depreciation	(13,968)	(7,729)	(11,359)	(10,801)	(43,857)
Net book value	3,012	4,571	6,953	3,614	18,150
In KHR'000 equivalent	12,102	18,366	27,936	14,519	72,923

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

10. INTANGIBLE ASSETS

	Computer software US\$	Total US\$
For the year ended 31 December 2017		
As at 1 January 2017	13,350	13,350
Additions	-	-
Amortisation charge	(3,600)	(3,600)
Closing net book value	<u>9,750</u>	<u>9,750</u>
As at 31 December 2017		
Cost	18,000	18,000
Accumulated amortisation	(8,250)	(8,251)
Net book value	<u>9,750</u>	<u>9,750</u>
In KHR' 000 equivalent	<u>39,361</u>	<u>39,361</u>
For the year ended 31 December 2018		
As at 1 January 2018	9,750	9,750
Additions	-	-
Amortisation charge	(3,600)	(3,600)
Closing net book value	<u>6,150</u>	<u>6,150</u>
As at 31 December 2018		
Cost	18,000	18,000
Accumulated amortisation	(11,850)	(11,850)
Net book value	<u>6,150</u>	<u>6,150</u>
In KHR' 000 equivalent	<u>24,711</u>	<u>24,711</u>

11. BORROWINGS

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Related parties:			
Shareholders (Note 22 (c))	316,000	1,269,688	507,000
Closed family members of shareholders (Note 22 (c))	<u>207,000</u>	<u>831,726</u>	-
	523,000	2,101,414	507,000
Non-related parties:			
Individuals	<u>150,000</u>	<u>602,700</u>	100,000
	<u>673,000</u>	<u>2,704,114</u>	<u>607,000</u>

NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018

11. BORROWINGS (Continued)

The above borrowings are analysed as follows:

(a) By maturity:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Current	602,000	2,418,836	200,000
Non-current	71,000	285,278	407,000
	673,000	2,704,114	607,000

(b) By currency:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
US Dollars	673,000	2,704,114	607,000

(c) By interest rate:

The annual interest rates during the year are as follows:

	As at 31 December 2018	As at 31 December 2017
Related parties	10.15%	10.15%
Non-related parties	7% - 10.15%	7% - 10.15%

12. OTHER LIABILITIES

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Accrued interest payables	12,991	52,198	76,104
Tax payables	2,331	9,366	1,957
Other accrued expenses	9,477	38,079	2,943
	24,799	99,643	81,004

All of these liabilities are expected to be settled within one year from balance sheet date.

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

13. DEFERRED TAX ASSETS/LIABILITIES

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Deferred tax assets	4,213	16,928	1,000
Deferred tax liabilities	(757)	(3,042)	(766)
Deferred tax assets/(liabilities)	3,456	13,886	234

The movement in net deferred tax assets/liabilities during the year/period are as follows:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
At the beginning of the year/period	234	940	(1,965)
Charged to the income statement	3,222	12,946	2,199
At the end of the year/period	3,456	13,886	234

Deferred tax assets:

	Provision for loans US\$	Total US\$
For the year ended 31 December 2017		
As at 1 January 2017	-	-
Charged to the income statement	1,000	1,000
As at 31 December 2017	1,000	1,000
In KHR'000 equivalent	4,037	4,037
For the year ended 31 December 2018		
As at 1 January 2018	1,000	1,000
Charged to the income statement	3,213	3,213
As at 31 December 2018	4,213	4,213
In KHR'000 equivalent	16,928	16,928

NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018

13. DEFERRED TAX LIABILITIES (Continued)

Deferred tax liabilities:

	Accelerated depreciation US\$	Unrealised exchange loss US\$	Total US\$
For the year ended 31 December 2017			
As at 1 January 2017	(1,960)	(5)	(1,965)
Charged to the income statement	<u>1,259</u>	<u>(60)</u>	<u>1,199</u>
As at 31 December 2017	<u>(701)</u>	<u>(65)</u>	<u>(766)</u>
In KHR'000 equivalent	<u>(2,830)</u>	<u>(262)</u>	<u>(3,092)</u>
For the year ended 31 December 2018			
As at 1 January 2018	(641)	(60)	(701)
Charged to the income statement	<u>1</u>	<u>(57)</u>	<u>(56)</u>
As at 31 December 2018	<u>(640)</u>	<u>(117)</u>	<u>(757)</u>
In KHR'000 equivalent	<u>(2,572)</u>	<u>(470)</u>	<u>(3,042)</u>

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

14. SHARE CAPITAL

Share capital

The total authorised number of shares of the Company as at 29 December 2017 was 1,000,000 shares with a par value of US\$1.5 per share. All authorised shares have been issued are fully paid up.

	2018			2017		
	Number of shares	US\$	% of share-holding	Number of shares	US\$	% of share-holding
Shareholders						
Ms. Te Kaklika	400,000	600,000	40%	600,000	600,000	40%
Lok Chum Teav Oknha Seang Chanheng	300,000	450,000	30%	450,000	450,000	30%
Mrs.Ethda longthidavy	100,000	150,000	10%	150,000	150,000	10%
Mr. Ros Hengbun	100,000	150,000	10%	150,000	150,000	10%
Federation of Association for Small and Medium Enterprises of Cambodia (represented by Oknha Te Taingpor)	66,667	100,000	7%	100,000	100,000	7%
Oknha Sok Heng	33,333	50,000	3%	50,000	50,000	3%
Total	1,000,000	1,500,000	100%	1,500,000	1,500,000	100%

In KHR'000 equivalent

6,027,000

6,055,500

Accordance to new articles of association approved by NBC (29-December-2017), number of share capitals 1,000,000 and price of share 1.5\$ per share.

Capital contribution

On 21 December 2016, shareholders has signed a shareholder resolution to inject additional capital in cash of US\$500,000. This additional capital has been paid during 2017. The Central Bank approved this capital contribution on 22 June 2017. The Company is in the process of obtaining the revised Article of Association ("AOA") with Ministry of Commerce. Once Ministry of Commerce approved the revised AOA, the capital contribution need to transfer to share capital.

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

15. INTEREST INCOME

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Interest income from:			
Loans to customers	404,808	1,626,519	414,129
Balances with the Central Bank	342	1,374	197
	405,150	1,627,893	414,326

16. INTEREST EXPENSE

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Borrowings:			
Related parties (Note 22 (c))	42,146	169,342	79,835
Individuals	17,715	71,179	7,417
	59,861	240,521	87,252

17. FEE AND COMMISSION INCOME

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Loan processing fee	28,386	114,055	28,114
Penalty fee	13,977	56,160	6,918
Others	25,128	100,964	9,084
Other Interest income	9,666	38,838	-
Foreign exchange loss	(282)	(1,133)	-
	76,875	308,884	44,116

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

18. PERSONNEL EXPENSES

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Salaries and wages	106,835	429,263	79,520
Other employee benefits	4,905	19,708	3,182
	111,740	448,971	82,702

19. GENERAL AND ADMINSTRATIVE EXPENSES

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Professional fee	38,225	153,588	20,012
Rental expenses	28,020	112,584	15,485
Other expenses	6,942	27,892	1,189
Utility expenses	4,479	17,998	4,144
Printing and stationery expenses	4,226	16,980	4,845
Tax expense on penalty	3,385	13,601	
Communication expenses	2,451	9,848	1,930
Bank charges	2,075	8,337	2,037
Low value assets	1,591	6,393	1,173
Fuel and vehicle operating expenses	895	3,596	
Entertainment expenses	855	3,435	502
Marketing and advertisement expenses	758	3,046	420
Board of Directors fee	750	3,014	
Repair and maintenance expenses	722	2,901	484
Charitable Donation	500	2,009	
Travel and transportation expenses	183	735	323
Provision on placement with another bank	39	157	
Foreign exchange losses	-	-	299
	96,096	386,114	52,843

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

20. INCOME TAX EXPENSES

(i) Current income tax liabilities

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
At the beginning of the year/period	42,409	170,399	21,305
Income tax expense	4,823	19,379	46,582
Income tax paid	(47,127)	(189,356)	(25,478)
At the end of the year/period	105	422	42,409

(ii) Income tax expenses

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Income tax expense:			
Current income tax	4,823	19,381	46,582
Deferred tax (Note 13)	(3,222)	(12,946)	(2,199)
	1,601	6,435	44,383

(iii) Reconciliation between accounting profit and income tax expense

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Profit before income tax	(26,245)	(105,452)	213,111
Tax calculated at a rate of 20%	(5,249)	(21,090)	42,622
Tax effects of reconciling items:			
Expenses not deductibles for tax purposes	6,850	27,523	1,761
	1,601	6,433	44,383

Under the Cambodian tax regulations, the Company is subject to 20% Income Tax.

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

21. CASH AND CASH EQUIVALENTS

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Cash on hand	5,116	20,556	3,868
Balances with the Central Bank – current account	645	2,592	302
Balances with banks – current account	3,851	15,473	183
	9,612	38,621	4,353

22. RELATED PARTIES TRANSACTIONS

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

a) Related parties and relationship

The related parties of, and their relationship with the Company are as follows:

Relationship	Related party
Shareholders	<p>Ms. Te Kaklika – 40%</p> <p>Lok Chum Teav Oknha Seang Chanheng – 30%</p> <p>Ms. Edda Longthidavy – 10%</p> <p>Mr. Ros Hengbun – 10%</p> <p>Federation of Association for Small and Medium Enterprises of Cambodia (represented by Oknha Te Taingpor) – 7%</p> <p>Lok oknha Sok Heng – 3%</p> <p>(including their closed family members)</p>
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

b) Loan to related parties

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Shareholders	40,000	160,720	-
Closed family members of shareholders	70,500	283,269	100,956
	110,500	443,989	100,956

NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018

22. RELATED PARTIES TRANSACTIONS (CONTINUED)

b) *Loan to related parties (CONTINUED)*

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Interest income	14,076	56,557	9,218

c) *Borrowings from related parties*

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Shareholders	316,000	1,269,688	507,000
Closed family members of shareholders	207,000	831,726	-
	523,000	2,101,414	507,000

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Interest expense	42,146	169,343	79,835

d) *Rental expenses with related parties*

NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018

22. RELATED PARTIES TRANSACTIONS (CONTINUED)

e) Key management personnel compensation

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Salaries and other benefits	<u>41,681</u>	<u>167,474</u>	<u>37,979</u>

23. COMMITMENTS

The Company has operating leases of the Company's office. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
Not later than one year	39,598	159,105	7,320
Later than one year and not later than five years	<u>54,000</u>	<u>216,972</u>	<u>-</u>
	<u>93,598</u>	<u>376,077</u>	<u>7,320</u>

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

24. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The company has exposure to the following risks from financial instruments:

operational risk

credit risk

market risk

liquidity risk.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The operational risk losses 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 of the company.

The company's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

(c) Credit risk

Credit risk is the financial loss to the company if a borrower or counterparty fails to meet its contractual obligations and arises principally from the loans and advances.

(i). Management of credit risk

The lending activities are guided by the company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Branch's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

**NOTE TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018**

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii). Exposure to credit risk

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
		(Note 4)	
Loans to customers neither past due nor impaired	2,276,266	9,146,037	2,234,222
Loans to customers past due but not impaired	40,769	163,810	72,559
Loans to customers individually impaired	97,223	390,642	50,000
Allowance for bad and doubtful loans and advances	(124,423)	(499,932)	(5,000)
	2,289,835	9,200,557	2,351,781

Impaired loans and advances

Individually impaired loans and advances are loans and advances for which the company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In compliance with NBC Guidelines, an allowance for doubtful loans and advances is made for loans and advances with payment overdue more than 89 days.

A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Notes 3(d) and 3(e).

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies, is disclosed in Note 23.

Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 30 days but less than 90 days, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific allowance of 3%.

Loans with renegotiated terms/restructured loans

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the

NOTE TO THE FINANCIAL TATEMENTS

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii). Exposure to credit risk

business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions

being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 instalment periods and within a period of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the company shall remove a loan/advance or a portion of a loan from its balance sheet when the company loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

The company holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. The value of collateral is based on the valuation performed internally by the company.

There were no non-financial assets obtained by the company during the year by taking possession of collateral held as security against loans and advances.

Concentration of credit risk

The analysis of concentrations of credit risk from loans and advances at the balance sheet date are shown in Note 7 to the financial statements.

Loan to customers neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

(d) 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.

**NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018**

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

(i). Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The company maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

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

24. FINANCIAL RISK MANAGEMENT (continued)

- (d) Market risk
(ii). Interest rate risk

31-Dec-18								
	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Non interest Bearing	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
Financial assets								
Cash on hand	-	-	-	-	-	5,116	5,116	
Balances with the Central Bank	-	-	-	-	-	75,645	75,645	
Deposits and placements with banks	-	-	-	-	-	3,851	3,851	
Loans and advances to customers:								
- Performing	-	30,000	1,275,172	1,109,086	-	-	2,414,258	
- General & specific provisions	-	-	-	-	-	(124,423)	(124,423)	
Other assets	-	-	-	-	-	33,662	33,662	
Total financial assets	-	30,000	1,275,172	1,109,086	-	(6,149)	2,408,109	
Financial liabilities								
Borrowings	-	50,000.00	552,000	71,000	-	-	673,000	
Other liabilities	-	-	-	-	-	24,799	24,799	
Total financial liabilities	-	50,000	552,000	71,000	-	24,799	697,799	
Interest sensitivity gap	-	(20,000)	723,172	1,038,086	-	(30,948)	1,710,310	
KHR'000 (Note 4)	-	(80,360)	2,905,705	4,171,030	-	(124,349)	6,872,026	

24. FINANCIAL RISK MANAGEMENT (continued)

- (d) Market risk
(ii). Interest rate risk

	Less than 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Non- interest bearing	Total
US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$

As at 31 December 2017

Financial assets

Cash on hand	-	-	-	-	-	3,868	3,868
Balances with the Central Bank	-	-	-	-	-	302	302
Balances with banks	-	-	-	-	-	183	183
Loans to customers							
- Performing	110,966	561,461	947,223	737,131	-	-	2,356,781
- General & specific provisions	-	-	-	-	-	(5,000)	(5,000)
Other assets	-	-	-	-	-	25,824	25,824
Total financial assets	105,966	561,461	947,223	737,131	-	30,177	2,381,958

Financial liabilities

Borrowings	50,000	50,000	100,000	407,000	-	-	607,000
Other liabilities	-	-	-	-	-	79,047	79,047
Total financial liabilities	50,000	50,000	100,000	407,000	-	79,047	686,047
Total interest repricing gap	55,966	511,461	847,223	330,131	-	(48,870)	1,695,911
KHR000 equivalent	224,871	2,055,050	3,404,141	1,326,465	-	(196,360)	6,846,391

NOTE TO THE FINANCIAL TATEMENTS AS AT 31 DECEMBER 2018

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

(ii). Interest rate risk

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 year end. Therefore, a change in interest rates at the reporting date would not affect income statement.

Cash flow sensitivity analysis for variable-rate instruments

The company does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

(e) 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 liabilities of the Branch into relevant maturity groupings based on the remaining periods to repayment.

NOTE TO THE FINANCIAL TATEMENTS
AS AT 31 DECEMBER 2018

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	Over 5 years US\$	Total US\$
As at 31 December 2018						
Financial liabilities						
Borrowings	-	50,000	552,000	71,000	-	673,000
Other liabilities	-	-	-	-	24,799	24,799
Total financial liabilities	-	50,000	552,000	71,000	24,799	697,799
KHR'000 equivalent	-	200,900	2,217,936	285,278	99,642	2,803,756

	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	Over 5 years US\$	Total US\$
As at 31 December 2017						
Financial liabilities						
Borrowings	31,800	-	906,362	-	-	938,162
Other liabilities	54,405	-	-	-	-	54,405
Total financial liabilities	86,205	-	906,362	-	-	992,567

(f) 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 shareholder's 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.

NOTE TO THE FINANCIAL TATEMENTS AS AT 31 DECEMBER 2018

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

(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.

25. Fair values of financial assets and liabilities

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, we not presented.

**MICROFINANCE INSTITUTION SAMPORN SAMAKUM SAHAKREAS
THUNTOUCH NEUNG MATJUM KAMPUCHEA PLC.**

SUPPLEMENTARY FINANCIAL INFORMATION

31 DECEMBER 2018

Corporate Information

Company	MICROFINANCE INSTITUTION SAMPORN SAMAKUM SA-HAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.
Registration No	Co. 2859 KH/2015
Registered office	T 166 Building, Norodom Blvd., Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Cambodia
<i>Management team</i>	Lok Jom Teav Oknha Seang Chan Heng, Chairman Lok Oknha Te Taingpor, Chief Executive Officer Mrs. Te Kaklika, General Manager

The National Bank of Cambodia
22-24 Norodom Boulevard
Phnom Penh
Kingdom of Cambodia

Statement by the Management on the Supplementary Financial Information

We, on behalf of the Management MICROFINANCE INSTITUTION SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC. ("company"), do hereby state that in our opinion, the accompanying Supplementary Financial Information of the company as set out on pages 2 to 9, the preparation of which is the sole responsibility of the management, is properly drawn up so as to reflect fairly the financial information of the company for the year ended 31 December 2018 as required by the National Bank of Cambodia in their Prakas and applicable notices.

On behalf of the Board of Directors



Lok Oknha Te Taingpor
Member and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

06 May 2019

Supplementary Financial Information

For the year ended 31 December 2018

1. Limitation

This Supplementary Financial Information is prepared by the Management of MICROFINANCE INSTITUTION SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC. (“company”) solely for the use of National Bank of Cambodia (“NBC”). It is not to be used for any other purpose without the written consent of the management of the company.

The computations of the Supplementary Financial Information according to the definitions of the relevant Prakas and applicable notices set out in the respective schedules as indicated below form an integral part of and should be read in conjunction with the summary.

2. Significant financial information

The following summarises the Significant Financial Information of the Branch as required by the NBC on their applicable Prakas and applicable notices.

Schedule	Reference	Financial Information	2018	KHR'000 (if applicable)	2017
			US\$ (if not in %)		US\$ (if not in %)
I	B7-02-48	Liquidity ratio	>100		>100
II	B7-00-06	Minimum capital	1,500,000	6,027,000	1,500,000
III	B7-07-133	Solvency ratio	66.94%		71.88%
IV	B7-07-132	Net worth	1,500,490	6,028,969	1,664,850
V	B7-016-334	Provision of credit in national currency	0.44%		0.00%
VI		Foreign currency net open position			
	B7-07-134	US Dollars	-0.03%		-0.02%
		Khmer Riel	0.03%		0.02%

Supplementary Financial Information

For the year ended 31 December 2018

2. Significant financial information (continued)

Schedule	Reference	Financial Information	2018		2017
			US\$ (if not in %)	KHR'000 (if applicable)	US\$ (if not in %)
VII		Loan classification			
		Normal/Standard	2,276,266	9,146,037	2,306,781
		Special mention	22,361	89,846	50,000
		Sub-standard	18,124	72,822	-
		Doubtful	284	1,141	-
		Loss	97,223	390,642	-
			2,414,258	9,700,489	2,356,781
		Allowance for bad and doubtful loans and advances			
		NBC's benchmark	124,423	499,932	5,000
		Branch's provision	124,423	499,932	5,000
			-	-	-

3. Translation

For the purpose of this Supplementary Financial Information, unless otherwise stated, United States Dollars ("US\$") is the reporting currency. The translations of United States Dollars amounts into Khmer Riel ("KHR") are included solely for compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR 4,018 published by the NBC on 31 December 2018. These translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

Supplementary Financial Information

For the year ended 31 December 2018

Schedule I - Liquidity ratio

The liquidity ratio of the Branch was calculated based on Prakas B7-00-38, B7-02-187 and B7-04-207 as follows:

	As at 31 December 2018	As at 31 December 2017
I NUMERATOR		
1. Treasury balance		
- Debit items		
- Cash on hand	5,116	3,868
- Deposits with the Central Bank (excluding statutory deposits+reserve)	645	302
- Deposits with Banks	3,851	183
- Portion of lending to banks and FI with not more than one month to run	-	-
	<u>9,612</u>	<u>4,353</u>
Less:		
- Credit items		
- Credit balances on sight accounts maintained with the Central Bank, banks or financial institutions	-	-
- Borrowings from the Central Bank and banks with not more than one month to run	-	-
Net balance – Lender position	9,612	4,353
2. Lending with not more than one month to run (exclude loans with no maturity)	-	110,966
3. Treasury bills with not more than one month to run	-	-
TOTAL NUMERATOR (A)	<u>9,612</u>	<u>115,319</u>
II DENOMINATOR		
Voluntary savings deposit at 25%	-	-
TOTAL DENOMINATOR (B)	-	-
II LIQUIDITY RATIO	<u>-</u>	<u>-</u>
NBC's requirement	<u>≥ 100%</u>	<u>≥ 100%</u>
Status of Compliance	Compliance	Compliance

Supplementary Financial Information

For the year ended 31 December 2018

Schedule II - Minimum capital

The current registered, issued and paid-up share capital of the Branch is US\$15,000,000 equivalent to KHR6,027,000 thousand (31 December 2017: US\$15,000,000).

Schedule III - Solvency ratio

The solvency ratio of the Branch was calculated based on Prakas B7-00-46, B7-04-206 and B7-07-135 as follows:

			As at 31 Decem- ber 2018			As at 31 Decem- ber 2017
Numerator Net Worth as comput- ed above (N)	Weighting	Assets	1,500,490	Assets		1,664,850
Denominator						
Assets (*)						
- Cash	0%	5,116	-	3,868		-
- Gold	0%	-	-	-		-
- Calims on the NBC	0%	75,645	-	75,302		-
- Assets collateralised by	0%	-	-	-		-
- Claims on sovereign						
rated AAA to AA-	0%	-	-	-		-
- Claims on sovereign						
rated A+ to A-	20%	-	-	-		-
- Claims on banks rated						
AAA to AA-	20%	-	-	-		-
- Claims on sovereign						
rated BBB+ to BBB-	50%	-	-	-		-
- Claims on banks rated						
A+ to A-	50%	-	-	-		-
- Other assets*	100%	2,241,381	2,241,381	2,316,093		2,316,093
Total assets as reported in the bal- ance sheet*		2,322,142	2,241,381	2,395,263		2,316,093
Denominator(D1)			2,241,381	2,316,093		
SOLVENCY RATIO: (S = N / D1)			66.94%	71.88%		
NBC's requirement			>=15%	>=15%		
Status of compliant			Compliance	Compliance		

Supplementary Financial Information

For the year ended 31 December 2018

Schedule IV - Net worth

The Branch's net worth was calculated based on the NBC's Prakas No. B7-010-182 dated 15 October 2010 as follows:

	As at 31 December 2018	As at 31 Decem- ber 2017
I. Subtotal – A		
Capital or endowment	1,500,000	1,000,000
Reserve, other than revaluation reserves	-	-
Premiums related to capital (share premiums)	-	-
Provision for general banking risks, with the prior agreement of the NBC	-	-
Retained earnings	168,728	97,078
Audited net profit for the last financial year	(57,738)	168,728
Other items approved by the National Bank of Cambodia	-	500,000
Total (A)	1,610,990	1,765,806
Limited check on retained earnings: Max 20% of Total A	7%	15%
II. Subtotal – B		
For shareholders, directors, managers and their next of kind		
>> unpaid portion of capital	-	-
>> advances, loans, security and the agreement of the persons concerned as defined above	110,500	100,956
Holding of own shares at their book value	-	-
Accumulated losses	-	-
Intangible assets	-	-
Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	-	-
Total (B)	110,500	100,956
Total Tier 1 (Core Capital) (A) - (B)	1,500,490	1,664,850
Tier (Complementary Capital)		
III. Sub-Total D		
Revaluation reserves, with the prior agreement of the National Bank of Cambodia	-	-
Subordinated debt, with the prior agreement of the National Bank of Cambodia, up to 100% of base net worth	-	-
Other items, with the prior agreement of the National Bank of Cambodia, could be	-	-

SUPPLEMENTARY FINANCIAL INFORMATION

Supplementary Financial Information

For the year ended 31 December 2018

NET OPEN POSITION AS AT 31 DECEMBER 2018		On Balance Sheet	Liabilities and capital	Net open Position	NOP/ Net worth	Limit
		Assets US\$	US\$	US\$	%	%
As at 31 December 2018						
Currency						
USD		2,435,390	2,435,864	(474)	-0.03%	20%
KHR		474	-	474	0.03%	20%
Total		2,435,864	2,435,864	-	0.00%	
Net Worth				<u>1,530,382</u>		
NET OPEN POSITION AS AT 31 DECEMBER 2017		On Balance Sheet	Liabilities and capital	Net open Position	NOP/ Net worth	Limit
		Assets US\$	US\$	US\$	%	%
As at 31 December 2017						
Currency						
USD		2,495,853	2,496,219	(366)	-0.02%	20%
KHR		366	-	366	0.02%	20%
Total		2,496,219	2,496,219	-	0.00%	
Net Worth				<u>1,664,850</u>		

Supplementary Financial Information

For the year ended 31 December 2018

Schedule VII - Loan classification and allowance for bad and doubtful loans and advances

The following loan classification and allowance for bad and doubtful debts is summarised according to NBC's Prakas No. B7-09-074.

	Amount	Rate	Specific pro-
	US\$	%	US\$
Loan classification			
1-Loans of one year or less			
1-1 Standard	942,621	1%	9,426
1-2 Special Mention Past Due ≥ 15	17,000	3%	510
1-2 Substandard Past Due ≥ 31 days	-	20%	-
1-3 Doubtful Past Due ≥ 61 days	-	50%	-
1-4 Loss Past Due ≥ 91 days	97,223	100%	97,223
Sub-Total 1	1,056,844		107,159
2-Loans of more than one year			
2-1 Standard	1,333,645	1%	13,336
1-2 Special Mention Past Due ≥ 30	5,361	3%	161
2-2 Substandard Past Due ≥ 90 days	18,124	20%	3,625
2-3 Doubtful Past Due ≥ 180 days	284	50%	142
2-4 Loss Past Due ≥ 359 days	-	100%	-
Sub-Total 2	1,357,414		17,264
Grand total 1+2	2,414,258		124,423
All loan past due ≥ 30 days (A)			115,631
Loan outstanding (B)			2,414,258
Delinquency ratio (A/B)			4.79%



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