

ANNUAL REPORT

2019

For further information, contact number

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The Location of the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** is located at #T166, Norodom Boulevard, Sangkat Tonle Bassac, Khan Chamkamorn, Phnom Penh, Cambodia. In front of Ministry of Agriculture, Forestries and Fisheries near Chamkamorn traffic-light. Our shareholders are really Cambodian businessman who joined with other invertors in Cambodia. Our purpose for establishment this microfinance was that we participated in economic social development especially we are focusing to providing our services small and medium enterprise and for disable family in order to improving their living and boosting their business, so we are waiting them to using our service with warmly smile and soft speaking and faster service to our clients.





The grand opening was under presided by His-excellency CHAM Prasidh, Senior Minister, Minister of industry & Handicraft, Lork Orkhna Te Taingpor and Lork Chomteav Madam Tim Kimheang with other NBC dignity officials and other participants.

The 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, the 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 micro-finance 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 micro-finance 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 as our neighbors.

Vission

the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** to be the leading, sustainable microfinance provider, helping clients to succeed in their businesses by offering 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 client. FASMEC Microfinance Plc. is providing loans and other inclusive financial services countrywide mainly to women and for low income families in rural areas.

Core Value

the 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.

- 1- Professionally
- 2- Responsibility
- 3- Transparency
- 4- Integrity
- 5- Commitment

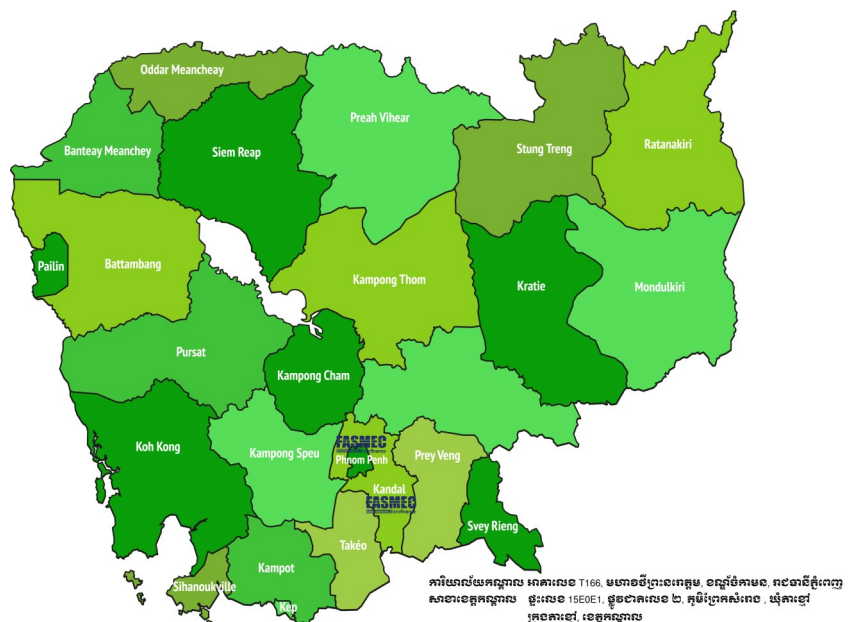




Takmao Branch

During 2019 we have operated one branch which is located at House# 15 EoE1 Street HW 21, Somrourng Mouy Village, Sangkat Takmao, Takmao City, Kandal Province. Cambodia

Our microfinance has been efforting to facilitate our client that they wanted to apply our products and deducting to expend time and they are able to pay our nearer branch.



SERVICES

1. True Money Agent

2. Wing Agent

3. E-Money Agent



To facilitate and reduce time for our clients, the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** has a partnership of Money Transfer and Money Drawing such as True Money, Wing and E-money.



the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** has many products for clients requirement and we are waiting for serving you all the time with our staff professionally, Transparency and integrity. We are welcoming your recommendation and we'll make improvement of our products and our services in meeting of your requirements.

PRODUCTIVITIES

	ផលទានទូទៅ	ផលទានអាជីវកម្ម
<p>តើលោកអ្នកកំពុងជួបបញ្ហា ហិរញ្ញវត្ថុក្នុងការបង្កើត ឬពង្រីកអាជីវកម្មរបស់លោក អ្នកមែនទេ ? ច្រើនស្ថានមីក្រូហិរញ្ញវត្ថុ យើង ខ្ញុំអាចជួយលោកអ្នកបាន ៖</p> 	<ul style="list-style-type: none"> ▪ កម្ចីដាក់ប្លង់ដី (ប្លង់រឹង ឬ ប្លង់ទន់) ▪ កម្ចីដាក់កាតគ្រីឡាន និង កាតគ្រីម៉ូតូ ▪ កម្ចីទិញផ្ទះ ▪ កម្ចីទិញសម្ភារៈ ▪ កម្ចីប្រើប្រាស់ផ្ទាល់ខ្លួន ▪ កម្ចីទិញគ្រឿងអេឡិចត្រូនិច ▪ កម្ចីបង្វិលផ្តាច់ស្ថាប័នផ្សេងៗ 	<ul style="list-style-type: none"> ▪ កម្ចីបង្កើតអាជីវកម្មថ្មី ▪ កម្ចីពង្រីកអាជីវកម្ម ▪ កម្ចីបន្ថែមអាជីវកម្ម 
<p>Email: info@fasmecmicrofinance.com.kh Facebook: Fasmec Microfinance Plc</p>		

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.

Staff and Management Meeting



Annual meeting 2019 under chairman by Mrs. Te Kaklika, General Manager of the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** The meeting was to display year 2019 result and set new planning direction and strategy for 2020 to seek good solution to solve old arrear clients and finding new client. Mrs. Te Kaklika has guided to all staff and management to make an effort to improvement and strengthening all of departments especially operation department is a key one to produce the income. And try to deduct the PAR clients in next year 2020. every department of FASMEC have to adhere the company rule and our code of conduct effectively and effectiveness.



Staff and Management Meeting



Staff and Management Meeting



Staff and Management Meeting



MOU Signing Ceremony



MOU Signing Ceremony



Public workshop Activities



Staff Capacity building

We build our staff Capacity is a strong position to promote and enhance business strategy and we create good culture knowledge and other skills for our staff in responding to client needs. the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** has always have training programs taught by managements mainly focus on customer services, internal control , policy, products knowledge or risk

Staff capacity building Is playing a significant role for our microfinance to sustain and development of human resource. We trained not only fresh staff or internship but also to adult or insufficient staff who has not been good understanding or any experiences in microfinance sectors. The certificate was offered after completed training and testing with high score and automatically passed.



Productivities Promotion Time



the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** was allowed to make promotion to **Ponlork Thmey Institution.** Our purpose is spreading our products and services to education section in order to know Fasmec microfinance and especially we tested them our questionnaire of products and got some small gifts and took a gathering picture with good smiling and very nice opportunity.



Outside Management Training



the Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC**, has sent its staff or managements to participate in public seminar or other workshop which held by associations, organizations or governmental department like labor ministry or taxation department as well. And also, has joined with CMA club for updating information to implement of new declaration law.



Operational and Financial Highlights



Operational Performance	Year 2019	Year 2018
Number of Branches	2	1
Number of Villages Covered	84	48
Number of Communes Covered	75	46
Number of Districts Covered	30	20
Number of Provinces Covered	16	11
Loan Outstanding in (USD) CIFRS for SMEs	2,309,128	1,891,023
Active Borrowers	149	126
Portfolio At Risk (PAR) >30days	4.26%	4.79%
Total of Staff	33	17

Financial Performance Figures 2019

Financial Performance	Year 2019	Year 2018
Total Income in (USD) CIFRS for SMEs	335,103	313,883
Total Expense in (USD) CIFRS for SMEs	308,199	329,229
Net Impairment loss on financial assets CIFRS for SMEs	4,048	109,723
Profit or Loss after Tax in (USD)CIFRS for SMEs	(49,377)	(190,130)
Total Borrowing in (USD)	696,000	673,000
Total Assets in (USD) CIFRS for SMEs	2,594,364	2,010,956
Total Equity in (USD) CIFRS for SMEs	1,842,138	1,291,515
Paid-up Capital in USD	1,500,000	1,500,000
Additional capital contribution	600,000	0

Ratio Financial Performance	Year 2019	Year 2018
Return on Asset (ROA) CIFRS for SMEs	(1.90%)	(9.45%)
Return on Equity (ROE) CIFRS for SMEs	(2.68%)	(14.72%)
Liquidity Ratio	100%	100%
Solvency Ratio	81%	70%

Chairman of Board's Message



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 2019,

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.



LORK OKHNA 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.

A blue circular official stamp from the Kingdom of Cambodia. The text around the border includes 'ព្រះរាជាណាចក្រកម្ពុជា' (Kingdom of Cambodia) at the top and 'KINGDOM OF CAMBODIA' at the bottom. In the center, there is Khmer text. A blue ink signature is written across the stamp.

FASMEC'S Organizational Chart



Chairman and member of Board



Mr. ROUS HENG BUN

Chairman of Board



LORK OKNHA TE TAINGPOR

Member of Board



MRS. ETHDA LONGTHYDAVY

Member of Board



LORK OKNHA TE TAINGPOR
Member of Board and Shareholder



MRS. TE KAKLIKA
General Manager and Influential
Shareholder



MRS. DEM SOPHEAVORN
Shareholder



Mr. ROUS HENGBUN
Chairman of Board and Shareholder



MRS. ETHDA LONGTHYDAVV
Member of Board

Histories of top Managements and Managers

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 TEA 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 TEA 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.**



LORK OKNHA TE TAINGPOR
Member of Board and Shareholder



MRS. TE KAKLIKA
General Manager and Influential Shareholder

Mrs. TE KAKLIKA is currently a influential 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 fluent-

Mr. KAN VICHETH He was born in year 1975 and he began his career with banking industry sector for the first time in 1995, He was acting as a bank employee, at that time he completed a course of accounting and computer training at KYDO organization and until ending 1997 he resigned from the bank, He loved his new 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 engaged in process capital increment, board changing, other board resolution, he has closely with other governmental ministry or other organs. He was one management to establishment planning for apply branch of this institution and other affiliate.

Until April 2018, he passed to Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** As Finance Manager and dominating accounting processes, He did responsibility other than finance duties of this microfinance.

Ms. MORM SOPHEA was born in 1989 in Phnom Penh. She graduated with a Bachelor's Degree in Accounting from Vanda Accounting Institute in 2014, Phnom Penh branch of the Kingdom of Cambodia, and completed a tax agency course at the National Tax School in 2019. Along with her seniority, she is in charge of the Finance Officer at BAYTANG Credit Organization, which is responsible for the financial management and troubleshooting of the branch and Head office. She has more than six years of banking experience across a range of roles: Teller, Chef Teller, Accountant and Finance Officer. She has joined at Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC**, as Deputy Accounting Manager.



MR.KAN VICHETH
FINANCE MANAGER



MS. MORM SOPHEA
DEPUTY ACCOUNTING
MANAGER

Mr. NOUV BROSH is Cambodian Nation. In 2017, Brosh graduated Master degree Education Science in Major Education Science Management from Institute of New Khmer of at PHNOM PENH City, CAMBODIA. He was joined a lot of training courses as Professional in Law, Education, Leadership, Management Skills, Regulation of Compliance, AML/FTC and Management of Bank and Microfinance, Workshop in BIF. Brosh has more than 15 years' experience with various position likes: Training Project officer at HAGAR International Organization, Head of HR and Admin Department at SAMRITHISAK Microfinance Limited, Head of HR and Admin Department at LY HONG CHHOY Trading Co, ltd. And working in the part-time of Senior Lecture at Cambodia University Science and Head of Economic Department at Science University. In August, 2019, Brosh was joined with Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC** in position Compliance Manager than in December, 2019, Mr. Nouv Brosh appointed formal to compliance manager.



MR.NOV BROS
COMPLIANCE MANAGER

Mr. SIENG CHHAIHLY is Cambodian Nation. In 2018, Chhahily graduated Master degree Economics Science in Major Finance and Banking from IIC University of Technology at PHNOM PENH City, CAMBODIA. He was joined a lot of training courses as Professional in accountant, account for banking, Key risk internal audit and internal control, calculation and tax declaration, financial audit and tax, Workshop in IFRS. Chhahily has more than 10 years' experience with various position likes: Payroll officer at Gold Fame Enterprises knitter limited, Internal audit officer at SEILANITHIH Limited (MFI license), Internal Auditor at First Investment Specialized bank ltd, Financial Auditor at SAHAKRINPHEAP Microfinance Plc, Fraud Management Executive Officer at True Money (Cambodia) Plc, Internal Audit Supervisor at ASIA PACIFICE Finance Plc. In September, 2019, Chhahily was joined with Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC** in position internal auditor Manager than in December, 2019, Mr.Chhahily appointed formal to Internal audit manager.



MR.SIENG CHAILY
INTERNAL AUDIT MANAGER

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).



MRS. HEANG SOPHEA
ADM. HUMAN RESOURCE
MANAGER

Mr. PANG SONA was born in 1994 in Banteay Meanchey, He graduated with a Bachelor's Degree in Accountant and a Master Degree in General Management in 2018, University of Management and Economics, Banteay Meanchey, Kingdom of Cambodia. He has attended several seminars related to banking and finance and has attended several social events. Up to now, he got more than 8 years' experience of financial and used to handle various positions such as Credit Officer, Senior Credit Officer, Internal Revenue Officer. Lastly, he has joined at Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC**, as Chief Credit Officer.



MR. PANG SONA
HEAD OFFICE CHIEF CREDIT
OFFICER

Mr. LACH PHEAREAK was born in 1995. He graduated Bachelor Degree of Tourism and hospitality at Royal University of Law and Economics(RULE) in 2017 and General English Program at Aii Language Center. due to his interesting in his career in banking and finance sectors.He has taken up the challenge. For his first job, he joined with Microfinance Institution **SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.**, at the end of 2015, started as a loan officer, as his top management has seen his work good improvement with quality of loan and be able to loan analyzing. Then, he became a Credit Analysis Office in 2019 and has been instrumental in helping to enhance the quality of credit applications and undertaking risk analysis be developing statistical models to



Mr. TOCH THONA is Cambodian nation. Since 2009, Thona graduated bachelor degree in major Marketing at Human Resource University at Phnom Penh, Cambodia. He has more than 15 years experience with various position as seller at Ngenh fat Co.,ltd in 2005, credit officer at Narith loan service company in 2007, credit officer at PRASAC MFI Plc in 2010, credit specialist officer at Prince Finance Ltd in 2017 and March, 2019, Thona was joined with Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC** in position Credit officer.



Mr. NOV CHANTHEARA was born in 1994. He earned Bachelor Degree of Management Information System (MIS) at SE-TECT in 2016. Theara, a former Senior of IT at FUTABA Micro-finance Plc., was previously responsible for leading whole Core Banking System, which improves operational flow by providing the required information. Lastly, he has joined at Microfinance Institution **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** since March, 2019. and responsible for leading and controlling IT Department supported service Core Banking System and System Administrator. Up to now, he got 4-years' experience in banking sector and financial institution.



MR.NOV CHANTHEARA
SENIOR IT OFFICER

Ms. CHAN MOLYKA is a Cambodian. In 2011, Molyka graduated with a Master's Degree in Management from the National University of Management located in Phnom Penh, Cambodia. Molyka has 12 years of experience in various roles has such as accounting assistant on the neutral and fair committee for free and fair elections in Cambodia. Accounting assistant at Seng Enterprise Express. Consultant at The Orange Agency Company. Marketing Assistant at the Green Page Company. An employee at the Ministry of Public Works and Transport, Marketing Manager at First United Global Investment, Marketing Manager at FURI Real stead. In April 2019, Molyka joined **SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC.** in the role of Senior Sale and Marketing Officer.



MRS. CHAN MOLIKA
SENIOR SALE AND MARKETING OFFICER



To be stronger solidarity and annually staff encouragement to become closely FASMEC family, We organized its annual staff trip for 2019 to Krong Kep of Kompot province during two-days and one-night which attended by all staffs. FASMEC Microfinance, although, It has been operating a few years ago but we had specific vision and mission and set our plan for the next session for the way we go on, The staff trip 2019 is a good factor for their attendance to show the public our brand name of microfinance related to our services, productivity with our research and promotion the area for operation.

Cheerful with eating solidarity lunch and dinner was a good remembrance of all staff of Fasmec, some took pictures with natural place under warmly cloud, and some took picture at the seaside at sunset. These activities shown that Fasmec staff are satisfactory of strategy and new successful planning to develop and carry out to reach good fruitfulness result.

We are all would thanks to shareholder or top director to allow having annual staff trip to encourage and boosting their mind for striving and jointly development.



Other Social Contributions



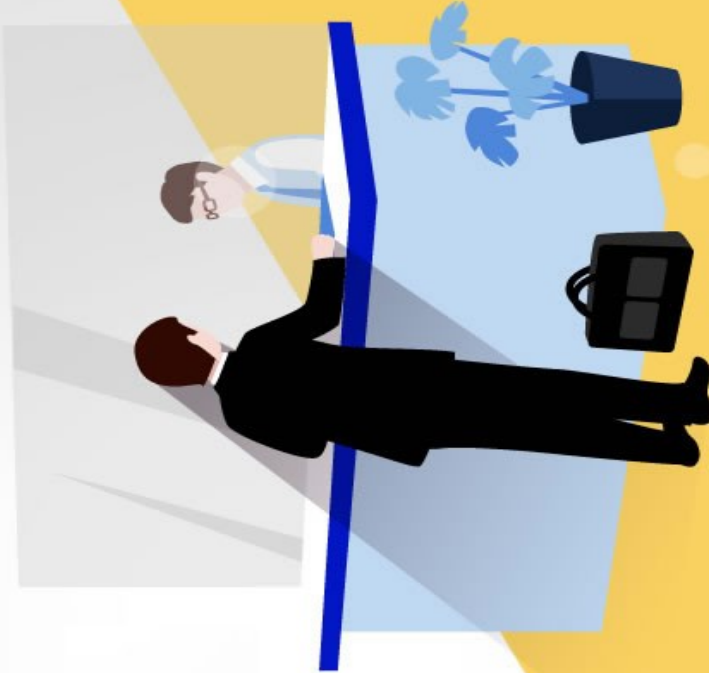


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**FINANCIAL
REVIEW**



Report of the Directors

The directors hereby submit their report together with the audited financial statements of Micro-finance Institution Samporn Samakum Sahakreas Thuntoch Neung Matjum Kampuchea Plc., (“the Company”) for the year ended 31 December 2019.

Principal activities

The Company is principally engaged in providing micro financial services and other related financial services within the scope of micro-finance license in Cambodia. There have been no significant changes in the nature of this activity from the previous financial year.

Financial results

The financial results of the Company were as follows:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Loss before income tax	(45,905)	(186,007)	(184,930)	(748,042)
Income tax expense	(3,472)	(14,069)	(5,200)	(21,034)
Net loss for the year	(49,377)	(200,076)	(190,130)	(769,076)

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid during the financial year.

Share capital

The paid-up capital of the Company as at 31 December 2019 is US\$1,500,000 (2018: US\$1,500,000) with a par value US\$1 per share.

On 16 October 2018, shareholders have signed a shareholder resolution to change shareholders and increase share capital from US\$1,500,000 to US\$2,100,000 through additional capital injection of US\$600,000.

On 7 August 2019, the NBC approved to the Company requested to the plan to revise the Company's share capital and shareholding structure as follows:

Report of the Directors (continued)

Share capital (continued)

	2019			2018		
	% of Ownership	Number Of shares	Amount US\$	% of Ownership	Number Of shares	Amount US\$
Mrs. Te Kaklika	42.86%	900,000	900,000	40%	600,000	600,000
Mrs. Dem Sopheavorn	21.43%	450,000	450,000	-	-	-
Lork Chum Teav Oknha Seang Chanheng	-	-	-	30%	450,000	450,000
Mrs. Ethda longthidavy	17.14%	360,000	360,000	10%	150,000	150,000
Mr. Ros Hengbun	14.29%	300,000	300,000	10%	150,000	150,000
Federation of Association for Small and Medium Enterprises of Cambodia (represented by Oknha Te Taingpor)	4.28%	90,000	90,000	7%	100,000	100,000
Oknha Sok Heng	-	-	-	3%	50,000	50,000
	100%	2,100,000	2,100,000	100%	1,500,000	1,500,000

The revised Articles of Association (“AOA”) to reflect the above change has not been approved by the Ministry of Commerce due to the limitation of the system to change the share value from US\$1 per share to US\$1.5 per share. As a result, on 26 December 2019, shareholders have signed a shareholder resolution to change the share value back from US\$1.5 per share to US\$1 per share and the number of share from 1,500,000 to 2,100,000 and sent a letter to NBC on 30 December 2019 to change AOA in respect of the above requested.

Subsequently, NBC has approved the above amendment on 4 March 2020. The amendment of AOA is in the process of obtaining approval from the Ministry of Commerce as at the date of this report.

Reserves and provisions

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

Bad and doubtful debts

Before the financial statements of the Company were prepared, directors took reasonable steps to ascertain that action has been taken in relation to the write off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the Company, inadequate to any material extent.

Report of the Directors (continued)

Current assets

Before the financial statements of the Company were prepared, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value 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 have arisen the value attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

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

Contingent liabilities

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

Any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or

Any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the liability of the Company to meet its obligations when they fall due.

Changes of circumstances

At the date of this report, the directors is not aware of any circumstances not otherwise dealt with in the report or in the financial statements of the Company, which would render any amount stated in the financial statements as misleading.

Items of an unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the directors, materially affected by any items, transactions or event of material and unusual nature.

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

Report of the Directors (continued)

Events since the reporting date

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

The Board of Directors

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

Mr. Ros Hengbun,	Chairman
Lork Oknha Te Taingpor,	Director
Mrs. Ethda longthidavy,	Director

Directors' interests

All of the directors held or dealt in the shares of the Company during the financial year.

Directors' benefits

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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

Statements of directors' responsibility in respect of financial statements

The Board of Directors is responsible to ascertain that the financial statements present fairly, in all material respects, the statement of financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended. In preparing those financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- oversee the Company's financial reporting process and maintain adequate accounting records and effective system of internal control;

Report of the Directors (continued)

Statements of directors' responsibility in respect of financial statements (continued)

assess the Company'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 Company or to cease operations, or has no realistic alternative but to do so; and

effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such has been properly reflected in the financial statements.

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

Approval of the financial statements

We, the undersigned, hereby approve the accompanying financial statements as set out on pages 9 to 49 which present fairly, in all material respects, the financial position of Microfinance Institution Samporn Samakum Sahakreas Thuntoch Neung Matjum Kampuchea Plc. as at 31 December 2019, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs").

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



Lork Oknha Te Taingpor

Director and Chief Executive Officer

28 May 2020

Opinion

We have audited the accompanying financial statements of MICROFINANCE INSTITUTION SAMPORN SAMAKUM SAHAKREAS THUNTOCH NEUNG MATJUM KAMPUCHEA PLC. (the “Company”), which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 49.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (CIFRS for SMEs).

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). 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 Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Report of the Board of Directors as set out on pages 1 to 5, 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 the 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 on the other information obtained 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 these financial statements in accordance with CIFRS for SMEs, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility 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 auditor's 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 CISAs 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 audit in accordance with CISAs, 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 effective of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibility for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management 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 Company' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 date of our auditor's report. However, future events or condition may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, 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.

For **HRDP and Associates Co., Ltd**

Peou Dara

Audit Partner

Phnom Penh, Kingdom of Cambodia

28 May 2020

Balance Sheet As at 31 December 2019

Statement of Financial position

As at 31 December 2019

	Notes	2019		2018	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.4)		(Note 2.4)
ASSETS					
Cash on hand	6	5,497	22,400	5,116	20,556
Deposits and placements with NBC	7	105,970	431,828	75,645	303,942
Deposits and placements with other banks	8	14,038	57,205	3,890	15,630
Loans to customers-net	9	2,309,128	9,409,696	1,891,023	7,598,130
Other assets	10	94,474	384,982	10,982	44,125
Property and equipment	11	60,762	247,605	18,150	72,927
Intangible assets	12	2,550	10,391	6,150	24,711
Deferred tax assets-net	14(a)	1,945	7,926	-	-
Total assets		2,594,364	10,572,033	2,010,956	8,080,021
LIABILITIES AND EQUITY					
Liabilities					
Other payables	13	56,226	229,121	46,193	185,603
Current income tax liabilities	14(b)	-	-	105	422
Borrowings	15	696,000	2,836,200	673,000	2,704,114
Deferred tax liabilities-net	14(a)	-	-	143	575
Total liabilities		752,226	3,065,321	719,441	2,890,714
Equity					
Share capital	16(a)	1,500,000	6,000,000	1,500,000	6,000,000
Additional capital contribution	16(b)	600,000	2,400,000	-	-
Regulatory reserve	17	48,696	198,436	14,741	59,229
Accumulated losses		(306,558)	(1,240,424)	(223,226)	(902,762)
Currency translation difference		-	148,700	-	32,840
Total equity		1,842,138	7,506,712	1,291,515	5,189,307
Total liabilities and equity		2,594,364	10,572,033	2,010,956	8,080,021

Income Statement As at 31 December 2019

Statement of Comprehensive Income

As at 31 December 2019

	Notes	2019		2018	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.4)		(Note 2.4)
Interest income	18	222,270	900,638	237,094	959,045
Interest expense	19	(68,761)	(278,620)	(59,861)	(242,138)
Net interest income		153,509	622,018	177,233	716,907
Fee and commission income	20	112,833	457,199	76,789	310,612
Total operating income		266,342	1,079,217	254,022	1,027,519
General and administrative expenses	21	(285,987)	(1,158,819)	(311,087)	(1,258,347)
Net impairment loss on financial assets	9	(4,048)	(16,402)	(109,723)	(443,830)
Depreciation and amortisation		(22,212)	(90,003)	(18,142)	(73,384)
Loss before income tax		(45,905)	(186,007)	(184,930)	(748,042)
Income tax expense	14(c)	(3,472)	(14,069)	(5,200)	(21,034)
Net loss for the year		(49,377)	(200,076)	(190,130)	(769,076)
Other comprehensive income					
Currency translation difference		-	117,481	-	(23,019)
Total comprehensive income for		(49,377)	(82,595)	(190,130)	(792,095)

Statement of Changes in Equity

Statement of Changes in equity

As at 31 December 2019

	Share capital US\$ (Note 2.4)	Regulatory re-serve US\$ (Note 2.4)	Accumulated losses US\$ (Note 2.4)	Currency Transla- tion difference US\$ (Note 2.4)	Total US\$ (Note 2.4)
Balance as at 1 January 2018	1,500,000	5,002	(23,357)	-	1,481,64
	0	6,000,000	20,193	(23,357)	(94,292)
				55,501	5
					5,981,402
Comprehensive income for the year					
Net loss for the year	-	-	(190,130)	-	(190,130)
	-	-	(769,076)	-	(769,076)
	9,739	39,394	(9,739)	(39,394)	-
Transfer to reserve	-	-	-	-	-
Other comprehensive income					
Currency translation difference	-	-	(358)	-	(22,661)
	-	-	-	-	(23,019)
Total comprehensive income					
	-	-	(199,869)	-	(190,130)
	-	9,739	39,036	(22,661)	(792,095)
Balance as at 31 December 2018	1,500,000	14,741	(223,226)	32,840	1,291,515
	0	6,000,000	59,229	(902,762)	5,189,307

Statement of Changes in Equity

Statement of Changes in equity

As at 31 December 2019

	Share capital US\$ KHR'000 (Note 2.4)	Regulatory re-serve US\$ KHR'000 (Note 2.4)	Accumulated losses US\$ KHR'000 (Note 2.4)	Currency Transla- tion difference US\$ KHR'000 (Note 2.4)	Total US\$ KHR'000 (Note 2.4)
Balance as at 1 January 2019	1,500,000	14,740	(223,226)	-	1,291,510
Additional paid up capital	600,000	-	-	-	600,000
Comprehensive income for the year	2,100,000	14,740	(223,226)	32,840	1,891,510
Net loss for the year	-	-	(902,762)	-	(902,762)
Transfer to reserve	-	33,950	(137,586)	-	(103,636)
Other comprehensive income	-	5	(33,955)	-	(33,950)
Currency translation difference	-	-	-	-	-
Total comprehensive income	-	33,950	(171,541)	-	(137,591)
Balance as at 31 December 2019	2,100,000	48,690	(306,558)	(1,240,424)	1,842,130

Statement of Cash Flow As at 31 December 2019

Statement of Cash Flows

For the year ended 31 December 2019

	2019		2018	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities				
Net loss for the year	(49,377)	(200,076)	(190,130)	(769,076)
<i>Adjustment for:</i>				
Income tax expense	3,472	14,069	5,200	21,034
Net Impairment loss on financial assets	4,048	16,402	109,723	443,830
Depreciation and amortisation	22,212	90,003	18,142	73,384
	(19,645)	(79,602)	(57,065)	(230,828)
Changes in operating assets and liabilities:				
Loans to customers	(422,153)	(1,710,564)	112,465	454,921
Other assets	(83,492)	(338,310)	(6,118)	(24,747)
Other payables	10,034	40,658	(55,836)	(225,857)
Capital guarantee deposit	(30,000)	(121,560)	-	-
	(545,256)	(2,209,378)	(6,554)	(26,511)
Income tax paid	(5,665)	(22,955)	(47,127)	(190,629)
Net cash used in operating activities	(550,921)	(2,232,333)	(53,681)	(217,140)
Cash flows from investing activities				
Purchase of property and equipment	(61,225)	(248,084)	(7,021)	(28,400)
Net cash used in investing activities	(61,225)	(248,084)	(7,021)	(28,400)
Cash flows from financing activities				
Proceeds from issuance of share capital	600,000	2,431,200	-	-
Proceeds from borrowings	535,000	2,167,820	66,000	266,970
Repayment of borrowings	(512,000)	(2,074,624)	-	-
Net cash generated from financing activities	623,000	2,524,396	66,000	266,970
Net increase in cash and cash equivalents	10,854	43,979	5,298	21,430
Cash and cash equivalents at the beginning of the year	9,651	38,778	4,353	17,490
Currency translation difference	-	801	-	(142)
Cash and cash equivalents at the end of the year (Note 22)	20,505	83,558	9,651	38,778

Notes to the financial statements

For the year ended 31 December 2019

1. Reporting entity

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” or “the NBC”) 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.

As at 31 December 2019, the Company had 33 employees (2018: 17 employees).

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

This complete set of financial statements (for the year ended 31 December 2019) is the Company’s first financial statements that conform with the CIFRS for SMEs. Before 2019, the financial statements were prepared in accordance with the Cambodian Accounting Standards (“CAS”) and the guidelines of the National Bank of Cambodia (“NBC”).

The Company has applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS for SMEs statement of financial position at 1 January 2018 for the purpose of the transition to CIFRS for SMEs.

The financial effects of the transition to the CIFRS for SMEs Standard are set out in Note 4 below.

These financial statements were approved by the Board of Directors and authorised for issue on 28 May 2020.

2.2 Fiscal year and reporting period

The Company’s fiscal year starts on 1 January and ends on 31 December.

2.3 Basis of measurement

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

Notes to the financial statements

For the year ended 31 December 2019

2. Basis of preparation (continued)

2.4 Functional and presentation currency

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

The financial statements are stated in United States Dollars (“US\$”), which is the Company’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

The translations of United States Dollars amounts into Khmer Riel (“KHR”) are included solely for the compliance with the guideline issued by the NBC regarding the preparation and presentation of financial statements.

Assets and liabilities are translated at the closing rate as at the reporting date, and the share capital and share premium accounts are translated at the historical rate. The separated statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as “Currency Translation Difference” in the other comprehensive income. The accumulative currency translation differences are recognised as a separate component of equity. All values in KHR are rounded to the nearest thousand (“KHR’000”), except if otherwise indicated.

The Company uses the following exchange rates:

Financial year end	Closing rate	Average rate
31 December 2019	US\$1=KHR4,075	US\$1=KHR4,052
31 December 2018	US\$1=KHR4,018	US\$1=KHR4,045
31 December 2017	US\$1=KHR4,037	US\$1=KHR4,045

These convenience 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.

2.5 Use of estimates and judgements

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

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

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

Notes to the financial statements

For the year ended 31 December 2019

2. Basis of preparation (continued)

2.5 Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2019 is set out below in relation to the impairment of financial instruments in 3.19 (vii) – identification and measurement of impairment.

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.

3. Summary of significant accounting policies

3.1 Financial instruments

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

3.2 Basis of aggregation

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

3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.4 Deposits and placements with banks

Deposits and placements with banks are carried at amortised cost in the statement of financial position.

3.5 Deposits and placements with NBC

Deposits and placements with the NBC, including capital guarantee deposit. Capital guarantee deposit is maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital as required by the NBC.

Capital guarantee is not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

Balance with National Bank of Cambodia are carried at amortised cost using the effective interest method in the statement of financial position.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.6 Loan to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.7 Other assets

Other assets are carried at amortised cost using the effective interest method in the statement of financial position.

3.8 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

(ii) Subsequent costs

The costs of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.8 Property and equipment (continued)

(iii) Depreciation

Depreciation of property and equipment is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets as follows:

Leasehold improvement	3 years
Office equipment	4 years
IT and computer equipment	4 years
Furniture and fixtures	4 years
Motor Vehicles	5 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

3.9 Intangible assets

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

3.10 Impairment

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.10 Impairment (continued)

Non-financial assets (continued)

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

3.11 Borrowing and other liabilities

Borrowing and other liabilities are carried at amortised cost using the effective interest method in the statement of financial position.

3.12 Provisions

Provisions are recognised in the statement of financial provision 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. Provisions are measured at the present value of the expenditure 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 liability. The increase in the provision due to the passage of time is recognised as finance cost.

3.13 Employee benefits

Seniority payment

The Minister of Labour and Vocational Training (MoLVT) issued a Prakas No. 443 on Seniority Payment dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Company to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 01 January 2019 and continue to work are entitled to a payment of six (6) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting December 2021 as follows:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

Employees are not entitled to the remaining past seniority payment upon resignation or termination due to serious misconduct.

The past seniority payment benefit is measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to 31 December 2018. This benefit was recognised in full during the year 2018.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.13 Employee benefits (continued)

Seniority payment (continued)

This Prakas also requires the Company to pay its employees the seniority for the employment service from 2019 amounting to 15 days per annum of their wages and other benefits, 7.5 days of which shall be paid in June and in December of each year. This seniority was recognised during the employees' periods of service on accrual basis.

3.14 Dividends

Dividends declared and approved by the Company's shareholders before the end of reporting date are recognised as a liability and accounted for as a deduction from the retained earnings in the financial statements.

Dividends declared and approved by the Company's shareholders after the reporting date are not recognised as a liability but disclosed as the subsequent events note in the financial statements.

3.15 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3.16 Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.17 Leases of building

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

3.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised in other comprehensive income.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences).

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss, except that an adjustment attributable to an item of income or expense recognised in other comprehensive income shall also be recognised in other comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

Financial assets and financial liabilities

(i). Recognition

The Company initially recognises a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii). Classification

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11 Basic Financial Instruments.

(iii). Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv). Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v). Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Notes to the financial statements

For the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

3.19. Financial assets and financial liabilities (continued)

(vi). Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.19. Financial assets and financial liabilities (continued)

(vii). Identification and measurement of impairment

Objective evidence of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortised cost. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

significant financial difficulty of the borrower or issuer;

default or delinquency by a borrower;

the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

indications that a borrower or issuer will enter bankruptcy;

the disappearance of an active market for a security; or

observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.19. Financial assets and financial liabilities (continued)

(vii). Identification and measurement of impairment (continued)

Individual and collective assessment (continued)

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Measurement

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Reversal of impairment and write offs

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account.

The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.

The Company writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.20 Regulatory reserve

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions (“Institution”) to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
Standard	0 – 14 days	1%
Special mention	15– 29 days	3%
Sub-standard	30 – 59 days	20%
Doubtful	60 – 89 days	50%
Loss	90 days or more	100%
Long-term loans (more than one year):		
Standard	0 – 29 days	1%
Special mention	30– 89 days	3%
Sub-standard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73, the entity is shall compare the provision calculated in accordance with above requirements, and the Company’s record which is under CIFRS for SMEs:

- (i) If the regulatory provision is lower, the entity records the provision calculated in accordance with CIFRS for SMEs; and
- (ii) If the regulatory provision is higher, the entity records the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings into regulatory reserves in equity account.

Notes to the financial statements

For the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.21 Related parties

Enterprises and individual that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including the holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including Directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals, also constitute related parties.

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

Notes to the financial statements

For the year ended 31 December 2019

4. Transition to the CIFRS for SMEs

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 Financial Reporting Standards 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 MEF. NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until period beginning on or after 1 January 2019.

On 3 January 2019, NAC through circular No.004 on the implementation of “the notification on the implementation of accounting standards for financial institution” provides the options to non-public accountability entities to choose either adopting CIFRS or CIFRS for SMEs.

These financial statements for the year ended 31 December 2019 are the Company’s first complete set of financial statements that comply with the CIFRS for SMEs Standard. The Company’s date of transition to the CIFRS for SMEs Standard is 1 January 2018. Its last financial statements prepared in accordance with the Cambodia Accounting Standard (“CAS”) were for the year ended 31 December 2018.

The transition to the CIFRS for SMEs Standard has resulted in a number of changes in the Company’s accounting policies compared to those used when applying CAS.

This explanatory note to the financial statements describes the differences between the profit or loss presented under CAS and the newly presented amounts under the CIFRS for SMEs Standard for the reporting period ended 31 December 2018 (i.e. comparative information), as well as the differences between the equity presented under CAS and the newly presented amounts under the CIFRS for SMEs Standard at the date of transition (1 January 2018) and at 31 December 2018. It also describes all the required changes in accounting policies made on first-time adoption of the CIFRS for SMEs Standard.

In the table below, equity determined in accordance with CIFRS for SMEs is reconciled to equity determined in accordance with CAS at both 1 January 2018 (the date of transition to the CIFRS for SMEs Standard) and 31 December 2018 (the end of the latest period presented in the most recent financial statements prepared in accordance with CAS).

Notes to the financial statements

For the year ended 31 December 2019

4. Transition to the CIFRS for SMEs (continued)

(i) Reconciliation of the statement of financial position as at 1 January 2018

	Note	CAS	At 1 January 2018		CIFRS for SMEs Stand-ards	CIFRS for SMEs Stand-ards
			Effect of transition	CIFRS for SMEs Stand-ards		
		US\$	US\$	US\$		KHR'000 (Note 2.4)
ASSETS						
Cash on hand		3,868	-	3,868		15,615
Deposits and placements with NBC		75,302	-	75,302		303,994
Deposits and placements with other banks		183	-	183		739
Loans to customers-net	4.1	2,376,347	(263,136)	2,113,211		8,531,033
Other assets		4,864	-	4,864		19,636
Property and equipment		25,671	-	25,671		103,634
Intangible assets		9,750	-	9,750		39,361
Deferred tax assets-net		234	-	234		945
Total assets		2,496,219	(263,136)	2,233,083		9,014,957
LIABILITIES AND EQUITY						
Liabilities						
Other payables		81,004	21,025	102,029		411,891
Current income tax liabilities		42,409	-	42,409		171,205
Borrowing		607,000	-	607,000		2,450,459
Total liabilities		730,413	21,025	751,438		3,033,555
Equity						
Share capital		1,000,000	-	1,000,000		4,000,000
Capital contribution		500,000	-	500,000		2,018,500
Regulatory reserves	4.2	-	5,002	5,002		20,193
Accumulated loss		265,806	(289,163)	(23,357)		(94,291)
Currency translation difference		-	-	-		37,000
Total equity		1,765,806	(284,161)	1,481,645		5,981,402
Total liabilities and equity		2,496,219	(263,136)	2,233,083		9,014,957

Notes to the financial statements

For the year ended 31 December 2019

4. Transition to the CIFRS for SMEs (continued)

(ii) Reconciliation of the statement of financial position as at 1 January 2018

	Note	CAS	At 31 December 2018		
			Effect of transition	CIFRS for SMEs Stand-ards	CIFRS for SMEs Stand-ards
		US\$	US\$	US\$	KHR('000) (Note 2.4)
ASSETS					
Cash on hand		5,116	-	5,116	20,556
Deposits and placements with NBC		75,645	-	75,645	303,942
Deposits and placements with other banks		3,851	39	3,890	15,630
Loans to customers-net	4.1	2,312,514	(421,491)	1,891,023	7,598,130
Other assets		10,982	-	10,982	44,125
Property and equipment		18,150	-	18,150	72,927
Intangible assets		6,150	-	6,150	24,711
Deferred tax assets-net		3,456	(3,456)	-	-
Total assets		2,435,864	(424,908)	2,010,956	8,080,021
LIABILITIES AND EQUITY					
Liabilities					
Other payables		24,799	21,394	46,193	185,603
		105	-	105	422
Current income tax liabilities					
Borrowings		673,000	-	673,000	2,704,114
Deferred tax liabilities-net		-	143	143	575
Total liabilities		697,904	21,537	719,441	2,890,714
Equity					
Share capital		1,500,000	-	1,500,000	6,000,000
Regulatory reserve	4.2	-	14,741	14,741	59,229
Accumulated loss		237,960	(461,186)	(223,226)	(902,762)
Currency translation difference		-	-	-	32,840
Total equity		1,737,960	(446,445)	1,291,515	5,189,307
Total liabilities and equity		2,435,864	(424,908)	2,010,956	8,080,021

Notes to the financial statements

For the year ended 31 December 2019

4. Transition to the CIFRS for SMEs (continued)

(iii) Reconciliation of statement of comprehensive income for the year ended 31 December 2018:

	Notes	Year ended 31 December 2018			
		CAS US\$	Effect of tran- sition US\$	CIFRS for SMEs US\$	Standards KHR'000 (Note 2.4)
Interest income	4.1	405,150	(168,056)	237,094	959,045
Interest expense		(59,861)	-	(59,861)	(242,138)
Net interest income		345,289	(168,056)	177,233	716,907
Fee and commission income		77,158	(369)	76,789	310,612
Total operating income		422,447	(168,425)	254,022	1,027,519
General and administrative ex- penses		(311,127)	40	(311,087)	(1,258,347)
Net impairment loss on financial assets	4.1	(119,423)	9,700	(109,723)	(443,830)
Depreciation and amortisation		(18,142)	-	(18,142)	(73,384)
Loss before income tax		(26,245)	(158,685)	(184,930)	(748,042)
Income tax expense	4.3	(1,601)	(3,599)	(5,200)	(21,034)
Net loss for the year		(27,846)	(162,284)	(190,130)	(769,076)

(iv) Reconciliation of the statement of cash flows for the year ended 31 December 2018

Certain reclassifications have been made to the presentation of the Company's statement of cash flows to conform to the current year's presentation following the adoption of CIFRS for SMEs.

Notes to the financial statements

For the year ended 31 December 2019

4. Transition to the CIFRS for SMEs (continued)

4.1 Financial assets and liabilities

Financial assets and liabilities measured at amortised cost

Under the previous accounting framework, CAS, financial assets including balances with the NBC and loans to customers and financial liabilities including borrowings, were stated at principal outstanding and the accrued interest receivables and accrued interest payables were presented in other assets and other liabilities, respectively.

On the adoption of CIFRS for SMEs, these financial assets and financial liabilities are measured at amortised cost, resulting in increase of financial assets and decrease of other assets, and increase of financial liabilities and decrease of other liabilities.

Accrued interest receivable – net included in the amortise cost of loans.

Consequently, in the statement of comprehensive income for the year ended 31 December 2018, allowance for bad and doubtful loans to customers were US\$9,700 lower applying the CIFRS for SMEs Standard.

At 1 January 2018 (the date of transition) the carrying amount of loans to customers is lower by US\$263,136 applying CIFRS for SMEs Standard; at 31 December 2018, loans to customers are lower by US\$421,491.

Interest income at amortised cost

Under CAS, interest income on loans to customers and balances with the NBC was recognised on an accrual basis based on declining balances of the principal amount outstanding, except for loans to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans was credited to an interest in suspense account. Subsequently, interest income from these loans is recognised on a cash receipt basis.

On adoption of the CIFRS for SMEs, interest income is recognised using the effective interest method. Under the effective interest method by applying the effective interest rate (“EIR”). The effective interest rate is determined on the basis of the carrying amount of the financial assets or liability at initial recognition. This adoption results in additional interest income.

Notes to the financial statements

For the year ended 31 December 2019

4. Transition to the CIFRS for SMEs (continued)

4.1 Financial assets and liabilities (continued)

(c) *Impairment of financial assets*

Under CAS, allowances for bad and doubtful loans and balance with banks were measured based on the Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, and Circular No. B7-018-001, dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning issued by the NBC. On adoption of the CIFRS for SMEs, the impairment of loan is measured through a loss allowance for expected credit loss (“ECL”), impacting loss allowance as at 1 January 2018 and as at and for the year ended 31 December 2018.

Deposits and placements with banks and loan to customers which are individually significant is assessed for impairment individually.

If the regulatory allowance is greater than the impairment under section 11 of CIFRS for SMEs, the excess is recognised as regulatory reserves by transferring from retained earnings to reserves as per NBC Prakas No. B7-017-344.

4.2 Regulatory reserves

According to NBC’s Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning, excess amount of impairment calculated in accordance with regulatory provision compared to the impairment calculated under CIFRS for SMEs has to be transferred from retained earnings to regulatory reserve within shareholder’s equity. This requirement resulted in increase in reserve and decrease in retained earnings but no impact on the profit or loss of the Company.

4.3 Income tax

The application of CIFRS for SMEs resulted in changes in deferred tax arising from the temporary differences in respect of the impairment of financial assets.

Notes to the financial statements

For the year ended 31 December 2019

5. Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of failure events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Income and other taxes

Taxes are calculated on the basis of current interpretation of the tax obligations. However, these regulations are subject to periodic variation and different interpretation following inspection by the tax authorities. These may result in tax increase and other retroactive tax claims. It is difficult to predict the timing and severity of these occurrences or their potential effect.

Property and equipment

Accounting for property and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of useful lives of the assets is based on Management's judgement.

Allowance for doubtful debts

Management establishes allowance for doubtful debts on a case-by-case basis when they believe collection of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial condition of customer were deteriorating, resulting in impairment of inability to make the required payments, allowance may be required to be made for such receivable.

6. Cash on hand

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
Cash on hand	5,497	22,400	5,116	20,556

(a) By currency:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
US Dollars	3,596	14,654	4,642	18,651
Khmer riel	1,901	7,746	474	1,905
	5,497	22,400	5,116	20,556

Notes to the financial statements

For the year ended 31 December 2019

7. Deposits and placements with NBC

		2019		2018	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.4)		(Note 2.4)
Capital guarantee	(i)	105,000	427,875	75,000	301,350
Current account	(ii)	970	3,953	645	2,592
		105,970	431,828	75,645	303,942

The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Financial Leasing business, the amounts of which are determined at 5% of the Company's registered share capital. The guarantee deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities.

The capital guarantee deposit earns interest at the rate of 0.06% per annum.

(ii) Current account earns no interest.

8. Deposits and placements with other banks

		2019		2018	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.4)		(Note 2.4)
Current Accounts		14,038	57,205	3,890	15,630

Deposits and placements with banks are analysed as follows:

		2019		2018	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.4)		(Note 2.4)
(a) By maturity:					
Within 1 month		14,038	57,205	3,890	15,630

(b) By interest rate (per annum):

	2019	2018
Current accounts	0%	0%

Notes to the financial statements

For the year ended 31 December 2019

9. Loans to customers – net

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
Loans to customer at amortised costs	2,427,899	9,893,688	2,005,746	8,059,087
Less: impairment loss allowance	(118,771)	(483,992)	(114,723)	(460,957)
	<u>2,309,128</u>	<u>9,409,696</u>	<u>1,891,023</u>	<u>7,598,130</u>

Movements of allowances for bad and doubtful loans to customers are as follows:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
Balance at beginning of year	114,723	460,957	5,000	20,185
Additional allowance for the year	4,048	16,402	109,723	443,830
Currency translation difference	-	6,633	-	(3,058)
Balance at the end of year	<u>118,771</u>	<u>483,992</u>	<u>114,723</u>	<u>460,957</u>

Gross loans to customers are analysed as follows:

(a) By currency:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
US Dollars	2,055,874	8,377,687	1,995,026	8,016,014
Khmer Riel	372,025	1,516,001	10,720	43,073
	<u>2,427,899</u>	<u>9,893,688</u>	<u>2,005,746</u>	<u>8,059,087</u>

(b) By residency status:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
Residents	<u>2,427,899</u>	<u>9,893,688</u>	<u>2,005,746</u>	<u>8,059,087</u>

(c) By interest rate (per annum):

	2019	2018
External customers	16.8% to 18%	16.80% to 30%
Related parties	<u>18%</u>	<u>18%</u>

Notes to the financial statements

For the year ended 31 December 2019

10. Other assets

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Deposits	92,447	376,722	8,634	34,691
Prepayments	734	2,991	2,231	8,964
Foreign exchange	-	-	117	470
Others	1,293	5,269	-	-
	<u>94,474</u>	<u>384,982</u>	<u>10,982</u>	<u>44,125</u>

Notes to the financial statements

For the year ended 31 December 2019

11. Property and equipment

	Leasehold improvement	Office equipment	IT and computer equipment	Furniture and fixtures	Motor Vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$ KHR'000
2019						
Cost						
As at 1 January 2019	16,980	12,300	18,312	14,415	-	62,007 249,144
Additions	12,883	11,240	13,265	5,837	18,000	61,225 248,084
Currency translation difference	-	-	-	-	-	- 4,942
As at 31 December 2019	29,863	23,540	31,577	20,252	18,000	123,232 502,170
Accumulated depreciation						
As at 1 January 2019	13,968	7,729	11,359	10,801	-	43,857 176,217
Charge for the year	4,858	4,077	5,466	3,312	900	18,613 75,420
Currency translation difference	-	-	-	-	-	- 2,928
As at 31 December 2019	18,826	11,806	16,825	14,113	900	62,470 254,565
Carrying amount						
As at 31 December 2019	11,037	11,734	14,752	6,139	17,100	60,762 247,605

Notes to the financial statement

Notes to the financial statements

For the year ended 31 December 2019

11. Property and equipment (Continued)

	Leasehold	Office	IT and equipment	Furniture and	Total	
2018	US\$	US\$	US\$	US\$	US\$	KHR'000
Cost						
As at 1 January 2018	16,247	9,780	15,586	13,373	54,986	221,978
Additions	733	2,520	2,726	1,042	7,021	28,400
Currency translation difference	-	-	-	-	-	(1,234)
As at 31 December 2018	16,980	12,300	18,312	14,415	62,007	249,144
Accumulated depreciation						
As at 1 January 2018	9,863	5,097	7,019	7,336	29,315	118,345
Charge for the year	4,105	2,632	4,340	3,465	14,542	58,822
Currency translation difference	-	-	-	-	-	(950)
As at 31 December 2018	13,968	7,729	11,359	10,801	43,857	176,217
Carrying amount						
As at 31 December 2018	3,012	4,571	6,953	3,614	18,150	72,927

Notes to the financial statement

Notes to the financial statements

For the year ended 31 December 2019

12. Intangible assets

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Cost				
As at 1 January	18,000	72,324	18,000	72,666
Currency translation difference	-	1,026	-	(342)
At 31 December	18,000	73,350	18,000	72,324
Accumulated amortisation				
As at 1 January	11,850	47,613	8,250	33,305
Amortisation for the year	3,600	14,587	3,600	14,562
Currency translation difference	-	759	-	(254)
	15,450	62,959	11,850	47,613
Carrying amounts				
At 31 December	2,550	10,391	6,150	24,711

13. Other payables

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Accrued interest payables	14,833	60,444	12,991	52,198
Deferred income	31,274	127,442	21,394	85,961
Tax payables	3,252	13,252	2,331	9,366
Other accrued expenses	6,867	27,983	9,477	38,078
	56,226	229,121	46,193	185,603

Notes to the financial statement

Notes to the financial statements

For the year ended 31 December 2019

14. Income tax

(a) Deferred tax assets/(liabilities), net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
Deferred tax assets	2,092	8,525	1,797	7,220
Deferred tax liabilities	(147)	(599)	(1,940)	(7,795)
Deferred tax assets/(liabilities)	1,945	7,926	(143)	(575)

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

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
Depreciation and amortisation	116	473	640	2,572
Interest limitation	-	-	1,083	4,351
Allowance for loan losses	(147)	(599)	(1,940)	(7,795)
Deferred income	1,976	8,052	74	297
	1,945	7,926	(143)	(575)

Movements of deferred tax assets/(liabilities) during the year are as follows:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)
At 1 January	(143)	(575)	234	945
Charged to comprehensive income	2,088	8,460	(377)	(1,525)
Currency translation difference	-	41	-	5
At 31 December	1,945	7,926	(143)	(575)

Notes to the financial statement

Notes to the financial statements

For the year ended 31 December 2019

14. Income tax (Continued)

(b) Current income tax liabilities

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
	(Note 2.4)		(Note 2.4)	
At beginning of the year	105	422	42,409	171,205
Minimum tax	3,351	13,578	3,139	12,697
Income tax paid	(5,665)	(22,955)	(47,127)	(190,629)
Under recognise income tax expense	2,209	8,951	1,684	6,812
Currency translation difference	-	4	-	337
At end of the year	-	-	105	422

(c) Income tax expense

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

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
	(Note 2.4)		(Note 2.4)	
Minimum tax	3,351	13,578	3,139	12,697
Under recognise income tax expense	2,209	8,951	1,684	6,812
Deferred tax expense	(2,088)	(8,460)	377	1,525
At end of the year	3,472	14,069	5,200	21,034

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

		2019		2018	
	%	US\$	KHR'000	US\$	KHR'000
		(Note 2.4)		(Note 2.4)	
Loss before income tax		(45,905)	(186,007)	(184,930)	(748,042)
Income tax	20%	(9,181)	(37,201)	(36,986)	(149,608)
Non-deductible expenses		1,686	6,832	598	2,419
Temporary differences		(783)	(3,173)	234	947
Under recognise income tax expense		2,209	8,951	1,684	6,812
Effect of minimum tax		3,351	13,578	3,139	12,697
Unutilised tax loss		6,190	25,082	36,531	147,767
Current income tax expense		3,472	14,069	5,200	21,034

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

Notes to the financial statement

Notes to the financial statements

For the year ended 31 December 2019

15. Borrowings

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Related parties:				
Shareholders (Note 23 (b))	286,000	1,165,450	316,000	1,269,688
Closed family members of shareholders	310,000	1,263,250	207,000	831,726
	596,000	2,428,700	523,000	2,101,414
Non-related parties:				
Individuals	100,000	407,500	150,000	602,700
	696,000	2,836,200	673,000	2,704,114

The above borrowings are analysed as follows:

(a) By maturity:

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Current	300,000	1,222,500	602,000	2,418,836
Non-current	396,000	1,613,700	71,000	285,278
	696,000	2,836,200	673,000	2,704,114

(b) By currency:

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
US Dollars	696,000	2,836,200	673,000	2,704,114

(c) By interest rate (annually):

	2019	2018
Related parties	7 - 10.15%	10.15%
Non-related parties	7%	7 - 10.15%

Notes to the financial statements

For the year ended 31 December 2019

16. Share Capital and additional capital contribution

(a) Share capital

	2019			2018		
	Number	US\$	KHR'000	Number	US\$	KHR'000
Registered:						
Ordinary shares of US\$1 each	1,500,000	1,500,000	6,000,000	1,500,000	1,500,000	6,000,000
Paid-up:						
Ordinary shares of US\$1 each	1,500,000	1,500,000	6,000,000	1,500,000	1,500,000	6,000,000

The paid-up capital of the Company as at 31 December 2019 is US\$1,500,000 (2018: US\$1,500,000) with a par value US\$1 per share.

(b) Additional capital contribution

On 16 October 2018, shareholders have signed a shareholder resolution to change shareholders and increase share capital from US\$1,500,000 to US\$2,100,000 through additional capital injection of US\$600,000.

On 7 August 2019, the NBC approved to the Company requested to the plan to revise the Company's share capital and shareholding structure as follows:

	2019			2018		
	% of Ownership	Number Of shares	Amount US\$	% of Ownership	Number Of shares	Amount US\$
Mrs. Te Kaklika	42.86%	900,000	900,000	40%	400,000	600,000
Mrs. Dem Sopheavorn	21.43%	450,000	450,000	-	-	-
Lork Chum Teav Oknha Seang Chanheng	-	-	-	30%	300,000	450,000
Mrs. Ethda longthidavy	17.14%	360,000	360,000	10%	100,000	150,000
Mr. Ros Hengbun	14.29%	300,000	300,000	10%	100,000	150,000
Federation of Association for Small and Medium Enterprises of Cambodia (represented by Oknha Te Taingpor)	4.28%	90,000	90,000	7%	66,667	100,000
Oknha Sok Heng	-	-	-	3%	33,333	50,000
	100%	2,100,000	2,100,000	100%	1,000,000	1,500,000

The revised Articles of Association ("AOA") to reflect the above change has not been approved by the Ministry of Commerce due to the limitation of the system to change the share value from US\$1 per share to US\$1.5 per share.

Notes to the financial statements

For the year ended 31 December 2019

16. Share Capital and additional capital contribution (Continued)

(b) Additional capital contribution (continued)

As a result, on 26 December 2019, shareholders have signed a shareholder resolution to change the share value back from US\$1.5 per share to US\$1 per share and the number of share from 1,400,000 to 2,100,000 and sent a letter to NBC on 30 December 2019 to change AOA in respect of the above requested.

Subsequently, NBC has approved the above amendment on 4 March 2020. The amendment of AOA is in the process of obtaining approval from the Ministry of Commerce as at the date of this report.

17. Regulatory Reserve

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
<u>Regulatory reserves(*)</u>	48,696	198,436	14,741	59,229

(*) Regulatory reserves:

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
At the beginning of the year	14,741	59,229	5,002	20,193
Add: transfer from retained earnings to reserve pertaining to impairment during the year (**)	33,955	137,586	9,739	39,394
Currency translation difference	-	1,621	-	(358)
At the end of year	48,696	198,436	14,741	59,229

(**) Transfer from retained earnings to reserve pertaining to impairment during the year when the provision under NBC requirement is higher than CIFRS for SMEs:

Notes to the financial statements

For the year ended 31 December 2019

17. Regulatory Reserve (Continued)

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Impairment on credit facilities required by the NBC				
Balance with other banks	140	571	39	157
Loans to customers	152,586	621,788	124,423	499,932
Impairment loss on financial assets under the NBC	152,726	622,359	124,462	500,089
Impairment loss on financial assets under CIFRS for SMEs (Note 9)	118,771	483,992	114,723	460,957
	33,955	138,367	9,739	39,132

18. Interest income

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loans to customers	221,704	898,345	236,752	957,662
Capital guarantee	566	2,293	342	1,383
	222,270	900,638	237,094	959,045

19. Interest expense

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Borrowings				
Related parties (Note 23 (a))	39,946	161,861	42,154	170,513
Individuals	28,815	116,759	17,707	71,625
	68,761	278,620	59,861	242,138

Notes to the financial statement

Notes to the financial statements

For the year ended 31 December 2019

20. Fee and commission income

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loan processing fee	29,395	119,109	28,017	113,329
Loan recovery	22,910	92,831	-	-
Other interest income	13,028	52,789	9,667	39,103
Penalty fee	9,958	40,350	13,977	56,537
Other fee	37,542	152,120	25,128	101,643
	112,833	457,199	76,789	310,612

21. General and administrative expense

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Employee salaries and benefits	173,551	703,229	111,739	451,984
Rental expenses	46,243	187,377	28,020	113,341
Legal and professional fees	24,877	100,802	38,225	154,620
Utility expenses	7,560	30,633	4,479	18,118
Low value assets	7,200	29,174	1,591	6,436
Communication expenses	3,750	15,195	2,451	9,914
Marketing and advertisement expenses	2,287	9,267	758	3,066
Bank charges	2,149	8,708	2,075	8,393
Fuel and vehicle operating expenses	2,016	8,169	895	3,620
Repair and maintenance expenses	1,680	6,807	722	2,920
Printing and stationery expenses	1,606	6,508	4,226	17,094
Board of Directors fee	1,500	6,078	750	3,034
Foreign exchange loss-net	1,126	4,563	283	1,145
Travel and transportation expenses	319	1,293	183	740
Tax expense on penalty	-	-	3,385	13,692
Entertainment expenses	-	-	855	3,458
Charitable Donation	-	-	500	2,023
Loans write off	-	-	103,008	416,667
Other expenses	10,123	41,016	6,942	28,082
	285,987	1,158,819	311,087	1,258,347

Notes to the financial statement

Notes to the financial statements

For the year ended 31 December 2019

22. Cash and Cash equivalents

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Cash on hand (Note 6)	5,497	22,400	5,116	20,556
Deposit and placement with NBC (Note 7 (ii))	970	3,953	645	2,592
Deposit and placements with other banks	14,038	57,205	3,890	15,630
	<u>20,505</u>	<u>83,558</u>	<u>9,651</u>	<u>38,778</u>

23. Related party transactions and balances

(a) Transactions with related parties

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loans to related parties:				
Interest income	-	-	14,076	56,557
Borrowing from related parties:				
Interest expense	39,946	161,861	42,154	170,513
Rental expenses paid to closed family member of shareholders	32,400	131,285	24,600	98,843
Key management remuneration:				
Directors and key management personnel compensation	82,634	334,833	41,681	167,474

(b) Balances with related parties

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Loans to related parties:				
Shareholders	-	-	40,000	160,720
Close family members of shareholders	-	-	70,500	283,269
Borrowing from related parties:				
Shareholders	286,000	1,165,450	316,000	1,269,688
Close family members of shareholders	310,000	1,263,250	207,000	831,726

Notes to the financial statements

For the year ended 31 December 2019

24. Leases Commitments

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2019		2018	
	US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Within 1 year	38,400	156,480	39,598	159,105
2 to 5 years	76,800	312,960	54,000	216,972
	115,200	469,440	93,598	376,077

25. Tax contingencies

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

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

26. Fair value 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, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.

27. Subsequent event

With the Covid-19 outbreak and a potential partial suspension of everything but arms (EBA) tax relief by the European Union, the management has assessed the impact on the financial statements of the Company and concluded that these are non-adjusting events and there is minimal impact to the Company financial statements.

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

***Supplementary financial information
For the year ended 31 December 2019***

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 of Microfinance Institution Samporn Samakum Sahakreas Thuntoch Neung Matjum Kampuchea Plc. ("the Company"), do hereby state that in my opinion, the accompanying supplementary financial information of the Company as set out on pages 2 to 14, 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 2019 as required by the National Bank of Cambodia in their Prakas and applicable notices.

On behalf of the management,



Lork Oknha Te Taingpor
Director and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
28 May 2020

Supplementary financial information

For the year ended 31 December 2019

1. Limitation

This supplementary financial information is prepared by the management of Microfinance Institution Samporn Samakum Sahakreas Thuntoch Neung Matjum Kampuchea Plc. ("the Company"), solely for the use of the 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 paragraphs as indicated below form an integral part of and should be referred to together with the below summary.

2. 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 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 closing exchange rate of US\$1 to KHR 4,075 published by the NBC on 31 December 2019 (31 December 2018: US\$1 = KHR 4,018). These translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

3. Significant financial information

The following summarises the significant financial information of the Company as required by the NBC in their Prakas and applicable notices.

Section Ref	Financial Information	Prakas	As at 31 December 2019		As at 31 December 2018	
			US\$	KHR'000	US\$	KHR'000
			(if not in %)	(if not in %)	(if not in %)	(if not in %)
A	Liquidity ratio	B7-02-48	>100%	>100%	>100%	>100%
B	Solvency ratio	B7-07-133	81%	80%	70%	70%
C	Minimum capital	B7-00-06	2,100,000	8,400,000	1,500,000	6,000,000
D	Net worth	B7-07-132	2,586,047	10,377,788	1,710,115	6,843,491
E	Provision of credit in national currency	B7-016-334	12%	12%	0%	0%
F	Foreign currency net open position	B7-07-134				
	US\$			-15%		-0%
	KHR			15%		0%

Supplementary financial information For the year ended 31 December 2019

3. Significant financial information (continued)

Section Ref	Financial Information	Prakas	As at		As at	
			31 December 2019		31 December 2018	
			US\$ (if not in %)	KHR'000 (if not in %)	US\$ (if not in %)	KHR'000 (if not in %)
G	Loan classification	B7-017-344				
1.	Loans of one year or less					
	Standard		1,850,366	7,540,241	942,621	3,787,451
	Special mention ≥15days		27,850	113,489	17,000	68,306
	Sub-standard ≥30 days		-	-	-	-
	Doubtful ≥60 days		-	-	-	-
	Loss ≥90 days		114,723	467,496	97,223	390,642
			1,992,939	8,121,226	1,056,844	4,246,399
	Allowance for bad and doubtful debts					
	NBC's benchmark		134,063	546,307	107,159	430,565
	Company's specific allowance		114,723	467,496	107,159	430,565
2.	Loans of more than one year					
	Standard		1,051,813	4,286,138	1,333,645	5,358,586
	Special mention ≥15days		-	-	5,361	21,540
	Sub-standard ≥30 days		-	-	18,124	72,822
	Doubtful ≥60 days		15,443	62,930	284	1,142
	Loss ≥90 days		283	1,154	-	-
			1,067,539	4,350,222	1,357,414	5,454,090
	Allowance for bad and doubtful debts					
	NBC's benchmark		18,523	75,481	17,264	69,367
	Company's specific allowance		4,916	20,032	17,264	69,367

Supplementary financial information For the year ended 31 December 2019

A. Liquidity ratio

Licensed Micro-finance Institutions shall at all times, maintain a liquidity ratio of more than 100%. The liquidity ratio of the Company was calculated as follows:

	As at 31 December 2019		As at 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Numerator				
Cash on hand	5,497	22,400	5,116	20,556
Deposits and placements with NBC	970	3,953	645	2,592
Deposits and placements with banks	14,038	57,205	3,851	15,473
	20,505	83,558	9,612	38,621
Less:				
Amount owed to banks	-	-	-	-
Net liquidity	20,505	83,558	9,612	38,621
Plus:				
Portion of loans maturing in less than 1 month	-	-	-	-
Numerator: liquid assets	20,505	83,558	9,612	38,621
Denominator				
Voluntary deposits at 25%	-	-	-	-
Denominator: adjusted amount of deposits	-	-	-	-
Liquidity ratio - Numerator/Denominator	>100%	>100%	>100%	>100%

Supplementary financial information

For the year ended 31 December 2019

B. Solvency ratio

Licensed Micro-financed Institutions shall at all times, maintain a solvency ratio of not less than 15%. The solvency ratio of the Company as at 31

	As at 31 December 2019	As at 31 December 2018	Weighting	As at 31 December 2019	As at 31 December 2018
	US\$	US\$		US\$	KHR'000
Numerator					
Company's net worth (Note D)	2,586,047	1,710,115		2,586,047	10,377,788
				1,710,115	6,843,491
Denominator (*)					
Cash	5,497	5,116	0%	-	-
Gold	-	-	0%	-	-
Claims on the NBC	970	645	0%	-	-
Assets collateralised by deposits lodged with the bank	14,038	3,851	0%	-	-
Claims on or guaranteed by sovereigns rated AAA to AA- or equivalent rate under the methodology used by a rating agency acknowledged by NBC	-	-	0%	-	-
Claims on or guaranteed by sovereigns rated A+ to A- or equivalent rated under the methodology used by a rating agency acknowledged by NBC	-	-	20%	-	-

Supplementary financial information

For the year ended 31 December 2019

C. Minimum Capital

According to Prakas B7-016-117 issued by the NBC on 22 March 2016 on the “Minimum registered capital of banking and financial institution”, microfinance institution shall have minimum registered capital of KHR 6 billion (equivalent to US\$ 1.5 million).

	2019			2018		
	% of Ownership	Number Of shares	Amount US\$	% of Ownership	Number Of shares	Amount US\$
Mrs. Te Kaklika	43%	900,000	900,000	40%	600,000	600,000
Mrs. Dem Sopheavorn	21%	450,000	450,000	-	-	-
Lok Chum Teav Oknha	-	-	-	30%	450,000	450,000
Mrs. Ethda Longthidavy	17%	360,000	360,000	10%	150,000	150,000
Mr. Ros Hengbun	14%	300,000	300,000	10%	150,000	150,000
Federation of Association for Small and Medium Enterprises of Cambodia (represented by Oknha Te Taingpor)	4%	90,000	90,000	7%	100,000	100,000
Oknha Sok Heng	-	-	-	3%	50,000	50,000
	100%	2,100,000	2,100,000	100%	1,500,000	1,500,000

Supplementary financial information For the year ended 31 December 2019

D. Net Worth

The Company's net worth was calculated as follows:

	As at		As at	
	31 December 2019		31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Capital or endowment	2,100,000	8,400,000	1,500,000	6,000,000
Reserve, other than revaluation reserves	-	-	-	-
Premium related to capital (share premiums)	-	-	-	-
Allowance for general banking risks, with the prior agreement of the NBC	-	-	-	-
Retained earnings	362,002	1,475,158	237,960	956,123
Audited net profit for the last financial year	124,045	502,630	(27,845)	(112,632)
Retained earnings transferred to special reserves	-	-	-	-
Other items approved by the NBC	-	-	-	-
Sub-total A: Items to be added	2,586,047	10,377,788	1,710,115	6,843,491
Less:				
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	-	-	-	-
Holding of own shares at their book value	-	-	-	-
Accumulated losses	-	-	-	-
Formation expenses	-	-	-	-
Loss determined on dates other than the end of the annual accounting period	-	-	-	-
Sub-total B: Items to be deducted	-	-	-	-
Sub-total C (A – B): Base net worth	2,586,047	10,377,788	1,710,115	6,843,491

Supplementary financial information

For the year ended 31 December 2019

F. Foreign currency net open position

As at 31 December 2019

Currency	Element after deduction of affected allowance					Net open position	Net open position/Net worth	Limited	Excess
	1	2	3	4	5				
	Assets	Liabilities and capital	Current receivable- Off-balance sheet	Currency payables Off-balance sheet	+(long) or -(short)				
KHR					-	-			
US\$	380,517	(242)	-	-	-	380,759	15%	20%	0%
	2,839,750	3,220,509				(380,759)	-15%	20%	0%
Total					-	-			
	3,220,267	3,220,267							

As at 31 December 2018

Currency	Element after deduction of affected allowance					Net open position	Net open position/Net worth	Limited	Excess
	1	2	3	4	5				
	Assets	Liabilities and capital	Current receivable- Off-balance sheet	Currency payables Off-balance sheet	+(long) or -(short)				
KHR					-	-			
US\$	446	10	-	-	-	436	0%	20%	0%
	2,435,418	2,435,854				(436)	0%	20%	0%
Total					-	-			
	2,435,864	2,435,864							

Supplementary financial information

For the year ended 31 December 2019

G. Loan classification and allowance for bad and doubtful debts

		Total US\$	%	NBC's benchmark US\$	Company's allowance US\$	Variance US\$
As at 31 December 2019						
1. Loans of one year or less						
Standard		1,850,366	1%	18,504	-	18,504
Special mention due ≥15 days		27,850	3%	836	-	836
Sub-standard past due ≥30 days	I	-	20%	-	-	-
Doubtful past due ≥ 60 days	II	-	50%	-	-	-
Loss past due ≥90 days	III	114,723	100%	114,723	114,723	-
	A	1,992,939		134,063	114,723	19,340
Specific allowance		(18,504)				
General allowance		(115,559)				
		1,858,876				
2. Loans of more than one year						
Standard		1,051,813	1%	10,518	-	10,518
Special mention due ≥30 days		-	3%	-	-	-
Sub-standard past due ≥90 days	IV	-	20%	-	-	-
Doubtful past due ≥180 days	V	15,443	50%	7,722	4,633	3,089
Loss past due ≥360 days	VI	283	100%	283	283	-
	B	1,067,539		18,523	4,916	13,607
Specific allowance		(10,518)				
General allowance		(8,005)				
		1,049,016				
All loans past due ≥ 30 days (C=I+II+III+IV+V+VI)	C	130,449				
Delinquency ratio = C/(A+B):		4%				

Supplementary financial information

For the year ended 31 December 2019

G. Loan classification and allowance for bad and doubtful debts (Continued)

		Total	%	NBC's Benchmark	Company's Allowance	Variance
		KHR'000		KHR'000	KHR'000	KHR'000
As at 31 December 2019						
1. Loans of one year or less						
Standard		7,540,241	1%	75,404	-	75,404
Special mention due ≥15 days		113,489	3%	3,407	-	3,407
Sub-standard past due ≥30 days	I	-	20%	-	-	-
Doubtful past due ≥ 60 days	II	-	50%	-	-	-
Loss past due ≥90 days	III	467,496	100%	467,496	467,496	-
	A	8,121,226		546,307	467,496	78,811
Specific allowance		(75,404)				
General allowance		(470,903)				
		7,574,919				
2. Loans of more than one year						
Standard		4,286,138	1%	42,861	-	42,861
Special mention due ≥30 days		-	3%	-	-	-
Sub-standard past due ≥90 days	IV	-	20%	-	-	-
Doubtful past due ≥180 days	V	62,930	50%	31,467	18,879	12,588
Loss past due ≥360 days	VI	1,154	100%	1,153	1,153	-
	B	4,350,222		75,481	20,032	55,449
Specific allowance		(42,861)				
General allowance		(32,620)				
		4,274,741				
All loans past due ≥ 30 days (C=I+II+III+IV+V+VI)		531,580				
Delinquency ratio = C/(A+B):		4%				

Supplementary financial information

For the year ended 31 December 2019

G. Loan classification and allowance for bad and doubtful debts (Continued)

		Total US\$	%	NBC's benchmark US\$	Company's allowance US\$	Variance US\$
As at 31 December 2018						
1. Loans of one year or less						
Standard		942,621	1%	9,426	9,426	-
Special mention due ≥15 days		17,000	3%	510	510	-
Sub-standard past due ≥30 days	I	-	20%	-	-	-
Doubtful past due ≥ 60 days	II	-	50%	-	-	-
Loss past due ≥90 days	III	97,223	100%	97,223	97,223	-
	A	1,056,844		107,159	107,159	-
Specific allowance		(9,426)				
General allowance		(97,733)				
		949,685				
2. Loans of more than one year						
Standard		1,333,645	1%	13,336	13,336	-
Special mention due ≥30 days		5,361	3%	161	161	-
Sub-standard past due ≥90 days	IV	18,124	20%	3,625	3,625	-
Doubtful past due ≥180 days	V	284	50%	142	142	-
Loss past due ≥360 days	VI	-	100%	-	-	-
	B	1,357,414		17,264	17,264	-
Specific allowance		(13,336)				
General allowance		(3,928)				
		1,340,150				
All loans past due ≥ 30 days (C=I+II+III+IV+V+VI)	C	115,631				
Delinquency ratio = C/(A+B):		5%				

Supplementary financial information

For the year ended 31 December 2019

G. Loan classification and allowance for bad and doubtful debts (Continued)

		Total	%	NBC's Benchmark	Company's Allowance	Variance
		KHR'000		KHR'000	KHR'000	KHR'000
As at 31 December 2018						
1. Loans of one year or less						
Standard		3,787,451	1%	37,874	37,874	-
Special mention due ≥15 days		68,306	3%	2,049	2,049	-
Sub-standard past due ≥30 days	I	-	20%	-	-	-
Doubtful past due ≥ 60 days	II	-	50%	-	-	-
Loss past due ≥90 days	III	390,642	100%	390,642	390,642	-
	A	4,246,399		430,565	430,565	-
Specific allowance		(37,874)				
General allowance		(392,691)				
		3,815,834				
2. Loans of more than one year						
Standard		5,358,586	1%	53,584	53,584	-
Special mention due ≥30 days		21,540	3%	647	647	-
Sub-standard past due ≥90 days	IV	72,822	20%	14,565	14,565	-
Doubtful past due ≥180 days	V	1,142	50%	571	571	-
Loss past due ≥360 days	VI	-	100%	-	-	-
	B	5,454,090		69,367	69,367	-
Specific allowance		(53,584)				
General allowance		(15,783)				
		5,384,723				
All loans past due ≥ 30 days (C=I+II+III+IV+V+VI)	C	464,606				
Delinquency ratio = C/(A+B):		5%				

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