SAHAKA

together for prosperity

ANNUAL REPORT

2017

TABLE OF CONTENTS

ANNOUNCEMENT

SAHAKA Microfinance Institution Plc. would like to inform to all valued customers and all relevant stakeholders that SAHAKA Microfinance Institution Plc. is a PRIVATE INSTITUTION.

Thank you!

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1 OUR VISION AND MISSION

Our Vision:

To be an outstanding institution that improves the living standards of the population and contributes to the economic and social development of Cambodia by instilling Human Resources through Education and Economic growth with retaining of Goodwill (HEEG).

Our Mission:

Our business idea supports this vision by providing financial services at reasonable interest rate so that many people as possible will be able to utilize our services to improve their income and society's living standard.

Headquarter:

#206 E0E1, Street 155, Sangkat Toul Tompoung I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia

Tel	+855 (0)23 967 779
E-mail	info@sahakamfi.com
Website	www.sahakamfi.com
Facebook	www.facebook.com/SAHAKA MFI
Call Center	+855 (0)61 500 979 | +855 (0)93 500 979
E-mail	customer_service@sahakamfi.com

2 COMPANY PROFILE AND MILESTONES

SAHAKA was established in December 2015 by two investors from Khmer and Japanese and it was approved by National Bank of Cambodia (NBC) as a Public Limited Company Microfinance Institution in April 2016.

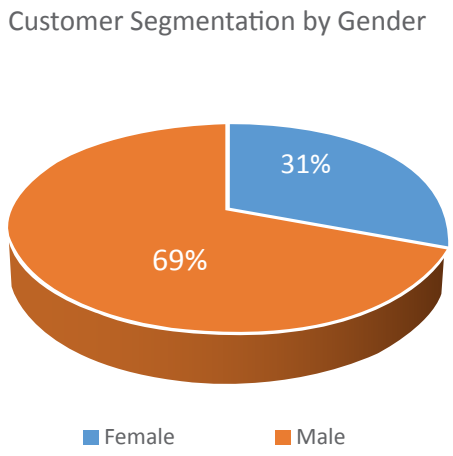
To serve the best to our customers, SAHAKA has classified our loan products as:

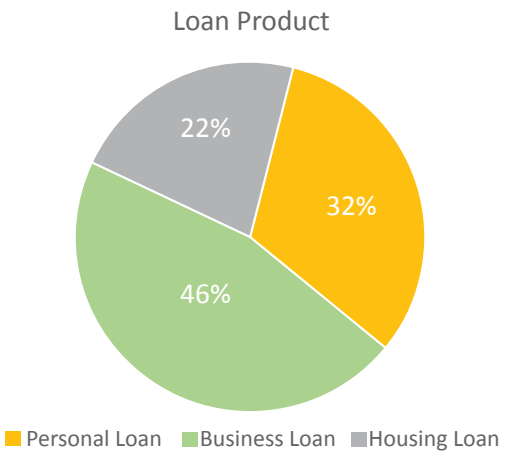
- Business Loan
- Housing Loan
- Personal Loan
- Education Loan

Starting from a small office and only six staff, SAHAKA has grown up both office space and its staff members. The total number of staff members as of December 2017 was 35 people of which 34% are women, and we expected that by 2018 the total staff member would be increased up to 50 people.

Since its license has been granted in April 2016, SAHAKA Microfinance Institution Plc. has provided loan services such as business loan, housing loan, personal loan, and education loan. We have achieved our target by serving the financial service to customer for over five hundred people with the total portfolio to almost 5.25 million.

Among 579 Customers and almost 5.25 million, our customer who is female is 31%. The highest loan product is Business Loan which is 46%, the Personal Loan is in the second rank of 32% and the Housing Loan is 22%.





3 CHAIRMAN'S STATEMENT

Mr. Bol Vanneat
Chairman and CEO

In 2017, we could certainly make a remarkable step closer to our plan by contributing to the society and respond to our customer's needs through providing loan service.

The majority of our products reach is Business Loan which is 46% among our total portfolio to support and expand our customer's business operations and we strongly believe it would contribute to our country's economic growth.

Cambodia's economy is moving up from the low-income bracket into lower-middle income territory and we see that 2017 our Country still maintained the economic growth rate with an average of 6.9 percent. Looking to the whole sector, the number of financial sectors have been grown up from last year 2016 and if comparing to the number of MFIs, there is an increase of 9 percent. This is an evidence to show that our country is still in need the financial availability to contribute to our economic growth.

As a part of the sector, we are continuing to strengthen our business model and facilitate the delivery of enhancing microfinance services to our customers in the public and private sectors that enables sustainable revenue streams into the future.

Operating and Financial Results

Detailed commentary on the operating and financial results for 2017 is included in the financial statement. Even we did not make a profit for these two years, but our operational performance was very good by reaching our target to almost 5.25 million.

Capital and Funding

To reinforce our ability to support our customers for the long term, we continue to strengthen our capital and funding positions. We made an increase of 1.5 million into our capital this year and another 2.97 million of fund for our operations.

Customer Satisfaction

Our most important metric has been customer satisfaction and this remains the case. Serving our customers and acting in their best interests is what makes our business sustainable. Our people have been working hard in recent years to deliver the service, products and innovation that customers expect. We rank first or equal first for customer satisfaction in all key business services segments, mobile repayment collection and door to door financial services. We always care about the way our customer would like and are looking for a better repayment to ensure the ease and economic of our customers.

Partner Cooperation

To extend our services to the customers, we are looking for an agency to cooperate the cash transfer service. We see that it is an added service that would facilitate loan repayment process where the customers could repay their loan anywhere closer to them.

Innovation

This is another year where we continue to work extremely hard in innovation. Innovating purposefully and for the benefits of our customers has been at the center of our strategy for our five-year plan. This will provide a better service for existing customers such as viewing the loan history and payment schedule functionality for easy payment and re-access additional loan. In addition to this, the new customers will also be able to download the Customer App, open an account and view our financial products and they can submit their loan request to SAHAKA.

Environment and Social Priorities

We always consider the environmental, social and economic impacts of our activities. We are committed to operating sustainably and to making a positive contribution beyond our core business. In 2017, we set out the policy to include Environmental Protection Contribution to limit global warming, and to define the role we play in supporting the transition to recycle paper use to protect tree which is indirectly good impact to a low carbon economy and in tackling climate change. In terms of our own environmental footprint, we continue to raise our targets for reductions in waste, water and energy usage.

Outlook

Turning to the outlook for the 2018 financial year, we believe that the Cambodian economy is as growing as it can be. We have key strategic advantages, including our proximity to populous growth markets, our rich natural reserves, and our dynamic and multicultural workforce. The SMEs play a greater role – are providing the foundations we need for prosperity and success. The ability to realize this potential however, is greatly dependent on the supporting environment, both domestic and international. Stable and well-communicated policy settings are of course necessary to ensure that businesses have the confidence to invest for growth, and to give people assurance about their employment prospects and costs and quality of living. However, the external backcloth of political, economic and security uncertainty around the world takes a toll on confidence; and the policy responses to-date, including quantitative easing and a creep towards closed borders, will inevitably present challenges.

Mr. Bol Vanneat
Chairman
10 June 2018

4 BOARD OF DIRECTORS

Mr. Bol Vanneat
Chairman

Mr. Yamashita Takahiro
Board of Director

Mr. Mak Chansopheara
Independent Board of Director

5 MANAGEMENT TEAM

Mr. Pen Piphoup
Chief Credit Officer

Mr. Seng Chanthoeun
Finance Manager

Miss. Pheuk Samphors
Accounting Supervisor

Mrs. Seng Chantrea
Chief Teller

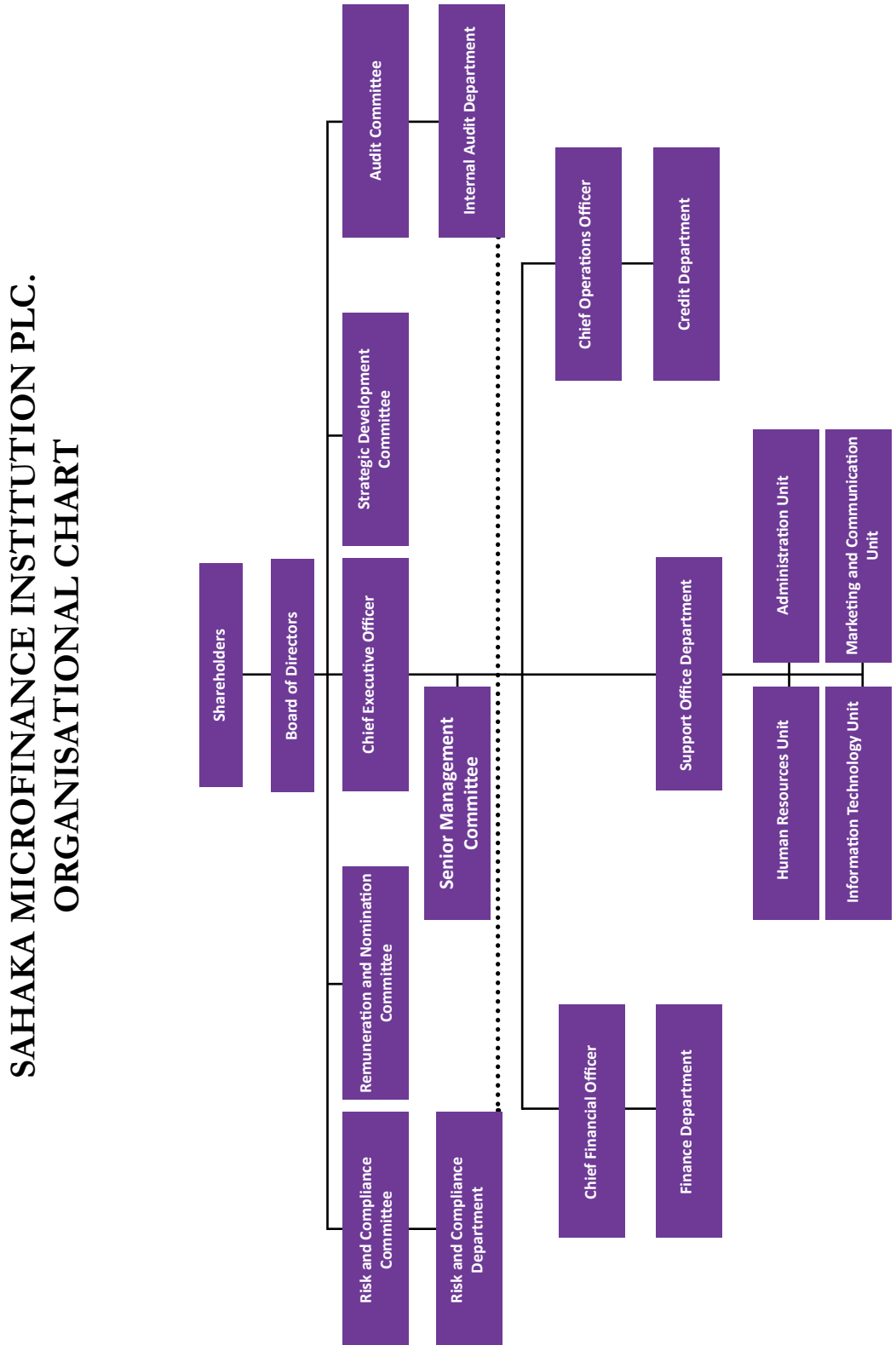
Mr. Hang Youlay
Senior IT Officer

Mr. Oum Panha
Senior Administration officer

Mr. Prom Maryyuthanea
Risk Officer

Mr. Snguon Sothearith
Compliance Officer

6 ORGANISATIONAL CHART



Our success comes from our customers partnership from a very beginning!

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7 FINANCIAL HIGHLIGHTS

(in USD)	2017 (Audited)		2016 (Audited)	
	USD	KHR'000	USD	KHR'000
Financial Position				
Assets	6,681,225	26,972,105	2,208,425	8,915,412
Loan to Customers	5,251,486	21,200,249	1,689,451	6,820,314
Liabilities	5,012,554	20,235,680	2,019,594	8,153,101
Share Capital	1,668,671	6,736,425	188,831	762,311
Incomes and Expenses				
Interest Income	737,584	2,977,627	139,175	561,849
Other Operating	77,299	312,056	19,266	77,777
Interest Expenses	(266,822)	(1,077,160)	(93,023)	(375,534)
Non-interest Expenses	(559,423)	(2,258,391)	(175,007)	(706,503)
Income Tax Expenses	8,162	32,950	(1,580)	(6,378)

8 OPERATIONAL HIGHLIGHTS

	2017	2016
Operating Provinces	17	5
Operating Districts	68	16
Operating Communes	159	57
Operating Villages	310	78
Total Branch	1	1
Total Staff	35	18
Total Borrowers	579	310
Customer Retention Rate	39%	97%
Loan Outstanding (USD)	5,251,486	1,689,451
Loan Outstanding (USD)/Credit Officer	750,212	281,575
Loan Outstanding (USD)/Staff	150,042	93,858
Average Loan Size (USD)	9,070	5,632
Portfolio at Risk (PAR%)	0%	0%
Total Assets (USD)	6,681,225	2,208,425

9 SOCIAL RESPONSIBILITY HIGHLIGHTS

	2017	2016
Number of Borrower	579	300
Female Borrower	179	90
Number of SMEs Loan	188	119
Credit History Checked, Credit Bureau	100%	100%
Total Staff	35	18
Female Staff	12	8
Staff Retention Rate	97%	100%
Number of Training Course per Staff	3	2
Tax on Salary and fringes	40,528	5,379
Withholding Tax	45,656	14,804
Minimum Tax	8,162	1,580

10 CAMBODIA KEY ECONOMIC INDICATORS

	2018f	2017e	2016	2015	2014
1. GDP					
GDP % Change	6.9	6.9	7	7	7.1
Per Capita GDP (in U.S. Dollar)	1,568	1,435	1,302	1,215	1,138
2. Inflation					
Inflation (Annual Average)	3.5	3.83	3	1.2	3.9
(End Year)	-	-	-	2.6	1.1
3. **Government Budget (as a percent of GDP)**					
Revenue	18.8	18.6	18.9	18.9	17.5
Expenditure	24.6	23.6	22	20.9	21.55
4. Money and Credit (12 months percentage change)					
M2	-	23.3	17.9	14.7	29.9
Total Deposits in the Banking System	-	23.3	21.8	16.4	30.1
Total Outstanding Loans in the Banking System	-	16.8	20.5	25.7	16.2
Loan as % of Deposit	-	95.3	100.6	102.6	94
Private Sector Credit	-	16.2	22.5	27.1	31.3
Deposits to GDP	-	76.7	68.4	61.9	53
Loans to GDP	-	73.1	68.8	63.5	50
5. Balance of Payments (US$ million)					
Exports	-	9,936.70	9,017.70	8,208.80	7,408e
Imports	-	(12,559)	(11,450)	(10,542)	(10,991)e
Trade Balance	-	(2,219)	(2,432)	(2,333)	(3,583)e
Current Account (excluding official transfers)	-	(2,219)	(2,029)	(1,908)	(2,356)e
Nominal GDP (Billions of U.S Dollars)	24.55	22.17	19.86	18.08	16.91
Exchange Rate (Riel per Dollar end period)	4,037	4,037	4,056	4,060	4,038

Source: ABC, NBC, IMF, World Bank, and MoEF.

e : Estimate

f: Focast

11 CUSTOMER'S SUCCESS STORY

Mrs. Chuong Than is 55 year-olds and lives in Phnom Penh. Mrs. Chuong Than is our role model customer and she has utilized our financial service very effectively. Starting from her micro business as a vegetable and mango seller at Doem Kor Market, she now has expanded her business and grown up to a small and medium size business in industrial industry. She is now operating a business in producing pure drinking water and deliver in Phnom Penh city.

Mrs. Chuong Than is our loyal customer since we operate our business in 2016. She is now taking our loan up to USD 2,000 to increase her business working capital.

Her success story is "**A change of living standard and business growth through our financial services**".

SAHAKA

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12 STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

	2017		2016
	USD	KHM'000	USD
ASSETS			
Cash on hand	11,735	47,374	4,130
Balances with NBC	100,318	404,984	20,028
Balances with other banks	1,023,919	4,133,561	380,183
Loans to customers	5,251,486	21,200,249	1,689,451
Other receivables	73,219	295,585	27,055
Property, plant & equipment	219,273	885,205	49,683
Intangible asset	1,275	5,147	37,895
TOTAL ASSETS	**6,681,225**	**26,972,105**	**2,208,425**
LIABILITIES AND EQUITY			
LIABILITIES			
Borrowing	4,970,000	20,063,890	2,000,000
Other payables	42,554	171,790	19,594
TOTAL LIABILITIES	**5,012,554**	**20,235,680**	**2,019,594**
EQUITY			
Share capital	1,800,000	7,266,600	300,000
Accumulated losses	(131,329)	(530,175)	(111,169)
TOTAL EQUITY	**1,668,671**	**6,736,425**	**188,831**
TOTAL LIABILITIES AND EQUITY	**6,681,225**	**26,972,105**	**2,208,425**

13 PROFIT AND LOSS STATEMENT

PROFIT AND LOSS STATEMENT
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	2017		2016
	USD	KHM'000	USD
Interest income	737,584	2,977,627	139,175
Interest Expense	(266,822)	(1,077,160)	(93,023)
Net interest income	**470,762**	**1,900,467**	**46,152**
Allowance for doubtful loans	(636)	(2,568)	-
Other operating income 77,299	77,299	312,056	19,266
Other operating expenses	(559,423)	(2,258,391)	(175,007)
Loss before tax	**(11,998)**	**(48,436)**	**(109,589)**
Tax expense	(8,162)	(32,950)	(1,580)
Loss for the financial period	**(20,160)**	**(81,386)**	**(111,169)**

14 STATEMENT OF CHANGE IN EQUITY

STATEMENT OF CHANGE IN EQIUTY
FOR THE FINANCIAL PERIOD FROM 8 DECEMBER 2015 TO 31 DECEMBER 2017

	Share capital USD	Accumulated Loss USD	Total USD
Balance as at 8 December 2015 (date of incorporation)	**300,000**	**-**	**300,000**
Loss for the financial period	-	(111,169)	(111,169)
Balance as at 31 December 2016/ 1 January 2017	**300,000**	**(111,169)**	**188,831**
Loss for the financial year, representing the total comprehensive loss	-	(20,160)	(20,160)
Transaction with owners			
Share issue	1,500,000	-	1,500,000
(KHR'000 equivalent)	**7,266,600**	**(530,175)**	**6,736,425**

15 STATEMENT OF CASH FLOW

STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	2017		2016
	USD	KHM'000	USD
Cash flows from operating activities			
Loss before tax	(11,998)	(48,436)	(109,589)
Adjustments for:			
Allowance for doubtful loans	(636)	(2,568)	-
Amortization of intangible asset	6,800	27,452	5,005
Depreciation of property, plant and equipment	47,031	189,864	17,372
Intangible asset write off	34,320	138,550	-
Interest expense	266,822	1,077,160	93,023
Property, plant and equipment written off	5,131	20,714	-
Operating profit before working capital changes	**347,470**	**1,402,736**	**5,811**
Changes in working capital			
Loans to customers	(3,561,399)	(14,377,368)	(1,689,451)
Other receivables	(46,164)	(186,364)	(27,055)
Other payables	12,436	50,204	9,594
Cash used in operations	(3,247,657)	(13,110,792)	(1,701,101)
Placement of statutory deposit	(75,000)	(302,775)	(15,000)
Tax paid	(8,162)	(32,950)	(1,580)
Net cash used in operating activities	**(3,330,819)**	**(13,446,517)**	**(1,717,681)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(221,752)	(895,213)	(67,055)
Purchase of intangible asset	(4,500)	(18,166)	(42,900)
Net cash used in investing activities	**(226,252)**	**(913,379)**	**(109,955)**

15 STATEMENT OF CASH FLOW

STATEMENT OF CASH FLOW (Continue)

Cash flows from financing activities

	2017		2016
	USD	**KHM'000**	**USD**
Proceeds from borrowing	2,970,000	11,989,890	2,000,000
Interest paid	(256,298)	(1,034,675)	(83,023)
Proceeds from issuance of ordinary shares	1,500,000	6,055,500	300,000
Net cash from financing activities	4,213,702	17,010,715	2,216,977
Net increase in cash and cash equivalents	**656,631**	**2,650,819**	**389,341**
Cash and cash equivalents at date of incorporation	**389,341**	**1,571,770**	**-**
Cash and cash equivalents at end of financial period	**1,045,972**	**4,222,589**	**389,341**
Cash and cash equivalents comprise the following:			
Cash on hand	11,735	47,374	4,130
Balances with NBC (excluding statutory deposit)	10,318	41,654 5,028	
Balances with other banks	1,023,919	4,133,561	380,183
Cash and cash equivalents at end of financial period	**1,045,972**	**4,222,589**	**389,341**

16 NOTE TO FINANCIAL STATEMENTS

NOTE TO THE FINANCIAL STATEMENTS, 31 DECEMBER 2017

1. CORPORATE INFORMATION

SAHAKA Microfinance Institution Plc. ("the Company") is a private limited company incorporated in Cambodia under registration number Co. 4361 E/2015 dated 8 December 2015, issued by the Ministry of Commerce.

The Company obtained its license from the National Bank of Cambodia ("NBC") to operate as a microfinance institution on 8 April 2016.

The registered office of the Company is located at #206, St. 155, Sangkat Tuol Tompoung I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.

The financial statements are presented in United States Dollar ("US$"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of the Directors on 29 May 2018.

2. PRINCIPAL ACTIVITY

The principal activity of the Company is in microfinance operation. There have been no significant changes in the nature of this activity during the financial year.

3.BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Cambodian Accounting Standards ("CASs") as issued by the National Accounting Council of the Ministry of Economy and Finance and the guidelines issued by the NBC relating to the preparation and presentation of financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with CASs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss items in foreign currencies at the end of the reporting year are converted into thousand Khmer Riel ("KHR'000") using the official exchange rate announced by the NBC at the end of the reporting year, US$1 = KHR4,037 (2016: US$1 = KHR 4,037). Such conversions should not be construed as representations that the KHR amounts

have been, could be, or could in the future be, converted into US$ at this or any other rate of exchange.

4.2 Balances with National Bank of Cambodia

Balance with National Bank of Cambodia represents mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions ("LBFI"). Statutory deposits are not available to finance the Company's day-to-day operations. Hence, it is not considered as part of cash and cash equivalents for the purpose of the cash flow statement.

4.3 Balances with other banks

Balances with other banks are carried at placement value.

4.4 Loans to customers

All loans to customers are stated in the balance sheet as the amount of principal, less any amounts written off and allowances for impairment.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans previously written off or provided for decrease the amount of the provision for impairment on loans in the income statement.

4.5 Allowance for bad and doubtful loans

The Company records the mandatory credit classification and provisioning as required by Prakas B7-02-186 Pro Kor dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes and ensure that the minimum mandatory level of specific provisioning is provided:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
Standard	0 - 29 days	0%
Sub-standard	30 - 59 days	10%
Doubtful	60 - 89 days	30%
Loss	90 days or more	100%
Long-term loans (more than one year):		
Standard	0 - 29 days	0%
Sub-standard	30 - 179 days	10%
Doubtful	180 - 359 days	30%
Loss	360 days or more	100%

The specific provision is calculated as a percentage of the loans outstanding at the time the loan is classified and is charged as expense in the income statement.

Loans are written off when they are considered uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for loan loss.

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

16 NOTE TO FINANCIAL STATEMENTS

4.6 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Leasehold improvements	50%
Furniture and fixtures	50%
Office equipment	50%
Computer equipment	50%
Motor vehicles	25%
Other assets	50%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

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

4.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any accumulated impairment losses.

4.8 Impairment of assets

(a) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

All impairment losses are recognised in income statement.

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

(b) Non-financial assets:

The carrying amount of assets, except for financial assets, is reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 which the future cash flow estimates have not been adjusted. An impairment loss is recognised in the income statement when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in the income statement immediately.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed

the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in the income statement.

4.9 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.10 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the income statement comprise current tax and deferred tax.

(a) Current tax:

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

(b) Deferred tax:

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods as a result of past

transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the consolidated

balance sheet and their corresponding tax bases. The tax bases of assets are determined by the consequences of sale of the assets.

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future, except those associated with goodwill. Deferred

tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. 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 the income statement.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which management 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.

4.11 Interest income recognition

Interest earned on loans to customers, deposits with National Bank of Cambodia and other banks are recognised on the accrual basis, except when loans become doubtful of collection, in which case, no interest is recognised as income.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' loan accounts are classified as non-performing where repayments are in arrears for 30 days and more.

4.12 Fee and commission income recognition

The Company earns fee and commission income mainly from loan processing and early settlements or late payments of loans. They are recognised in the income statement on an accrual basis.

4.13 Related parties

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

Under LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in

the administration, direction, management or internal control of the Company.

4.14 Employee benefits

(a) Short term employee benefits:

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Termination benefits:

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Company has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

4.15 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4.16 Foreign currencies

(a) Functional and presentation currency:

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The national currency of Cambodia is Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar ("US$"), management have determined US$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

(b) Foreign currency translations and balances:

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or

loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. STATEMENT OF COMPLIANCE WITH CASs AND ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

5.1 Statement of compliance with CASs and basis of preparation

The financial statements of the Company have been prepared in accordance with CASs as issued by the National Accounting Council ("NAC") and the guidelines issued by the NBC relating to the preparation and presentation of financial statements.

Accordingly, the financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Kingdom of Cambodia and furthermore their use is not designed for those who are not informed about Cambodia's principles, procedures and practices.

5.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

The NAC, as mandated by Prakas (Circular) No. 068 MoEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance ("MoEF") and following the announcement No. 097/09 MoEF-NAC dated 28 August 2009 by the NAC on the adoption of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") effective for financial statements with years beginning on or after 1 January 2012. The new standard is being referred to as "Cambodian International Financial Reporting Standards" ("CIFRSs").

In accordance with the Circular No. 058 MoEF-NAC dated 24 March 2016 issued by the NAC of MoEF, all banking and financial institutions are required to adopt CIFRSs effective from 1 January 2019.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

There are no critical judgments made by the management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with below.

6.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment:

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment on loans to customers:

The Company records the mandatory credit classification and provisioning as required by Prakas B7-02-186 Pro Kor dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into four classes and ensure that the minimum mandatory level of specific provisioning is provided depending on the classification and regardless of collateral (except for cash). For the purpose of loan classification, the Company is required to take into account the borrowers' historical payment experience and financial condition.

(c) Tax expense:

Significant judgement is involved in determining the Company's provision for taxes. The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through management's interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial period in which such determination is made.

16 NOTE TO FINANCIAL STATEMENTS

Noted

7. CASH ON HAND

	2017		2016
	US$	KHM'000	US$
Cash on hand	11,735	47,374	4,130

8. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2017		2016
	US$	KHM'000	US$
Current account	10,318	41,654	5,028
Statutory deposit	90,000	363,330	15,000
	100,318	404,984	20,028

Statutory deposit

In compliance with Prakas B7-00-006 Pro Kor dated 11 January 2000 and B7-06-209 Pro Kor dated 13 September 2006 on the Licensing of Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the NBC of 5% of registered capital. This deposit is refundable should the Company voluntarily liquidate.

9. BALANCES WITH OTHER BANKS

	2017		2016
	US$	KHM'000	US$
Advanced Bank of Asia Ltd.	519,412	2,096,866	180,183
Amret Microfinance Institute	-	-	200,000
Hatakasekor Microfinance Institute	504,507	2,036,695	-
	1,023,919	4,133,561	380,183

The Company has saving accounts at Hatakasekor Mircrofinance Institute. The saving accounts earn interest at the annual rate from 2% to 3% during the period of this report.

10. LOANS TO CUSTOMERS

	2017		2016
	US$	KHM'000	US$
Individual loans	5,251,736	21,201,258	1,689,451
Allowance for doubtful loans	(250)	(1,009)	-
	5,251,486	21,200,249	1,689,451

16 NOTE TO FINANCIAL STATEMENTS

(a) Allowance for doubtful loan

	2017		2016
	US$	KHM'000	US$
Balance at beginning of year/period	-	-	-
Allowance for the year/period	636	2,568	-
Written off	(386)	(1,559)	-
Balance at end of year/period	250	1,009	-

(b) By maturity

	2017		2016
	US$	KHM'000	US$
Within one year	889,639	3,591,473	471,615
From one to five years	2,146,881	8,666,958	584,453
Over five years	2,214,966	8,941,818	633,383
	5,251,486	21,200,249	1,689,451

(c) By currency

	2017		2016
	US$	KHM'000	US$
US Dollar	5,251,486	21,200,249	1,689,451

(d) By economic sector

	2017		2016
	US$	KHM'000	US$
Trade and commerce	2,316,977	9,353,636	835,729
Household/Family	2,934,509	11,846,613	804,700
Others	-	-	49,022
	5,251,486	21,200,249	1,689,451

(e) By relationship

	2017		2016
	US$	KHM'000	US$
External customers	4,698,743	18,968,826	1,550,223
Staff	552,743	2,231,423	139,228
	5,251,486	21,200,249	1,689,451

(f) Analysis by security on performing and non-performing loans

	2017		2016
	US$	KHM'000	US$
Standard loans:			
Secured	3,453,880	13,943,314	704,211
Unsecured	1,797,356	7,255,926	985,240
Loss loans:			
Unsecured	250	1,009	-
	5,251,486	21,200,249	1,689,451

11. OTHER RECEIVALBES

	2017		2016
	US$	KHM'000	US$
Interest receivable	50,439	203,622	18,187
Advances	22,780	91,963	1,764
Other receivables	-	-	7,104
	73,219	295,585	27,055

16 NOTE TO FINANCIAL STATEMENTS

Note 12: Property, Plant and Equipment

	Leasehold improvements US$	Furniture and fixtures US$	Office equipment US$	Computer equipment US$	Motor vehicles US$	Other assets US$	Total US$
Cost							
Balance at 8.12.2015 (date of incorporation)	-	-	-	-	-	-	-
Additions	11,555	645	10,570	11,363	26,000	6,922	67,055
Balance at 31.12.2016	11,555	645	10,570	11,363	26,000	6,922	67,055
Additions	44,416	1,642	6,441	9,342	152,146	7,765	221,752
Written off	(12,241)	-	-	-	-	(340)	(12,581)
Balance at 31.12.2017	43,730	2,287	17,011	20,705	178,146	14,347	276,226
Accumulated depreciation							
Balance at 8.12.2015 (date of incorporation)	-	-	-	-	-	-	-
Depreciation for the financial period	3,713	322	3,487	2,990	3,792	3,068	17,372
Balance at 31.12.2016	3,713	322	3,487	2,990	3,792	3,068	17,372
Depreciation for the financial year	6,512	763	5,614	5,772	23,933	4,437	47,031
Written off	(7,253)	-	-	-	-	(197)	(7,450)
Balance at 31.12.2017	2,972	1,085	9,101	8,762	27,725	7,308	56,953
Carrying amounts							
Balance as at 31.12.2017	**40,758**	**1,202**	**7,910**	**11,943**	**150,421**	**7,039**	**219,273**
(KHR'000 equivalent)	164,540	4,852	31,933	48,214	607,250	28,416	885,205
Balance at 31.12.2016	7,842	323	7,083	8,373	22,208	3,854	49,683

16 NOTE TO FINANCIAL STATEMENTS

13. INTANGIBLE ASSET

	US$
Cost	
Balance at 8.12.2015 (date of incorporation)	**-**
Additions	42,900
Balance at 31.12.2016	42,900
Additions	4,500
Written off	(42,900)
Balance at 31.12.2017	**4,500**
Accumulated amortisation	
Balance at 8.12.2015 (date of incorporation)	**-**
Additions	5,005
Balance at 31.12.2016	5,005
Additions	6,800
Written off	(8,580)
Balance at 31.12.2017	3,225
Carrying amounts	
Balance at 31.12.2017	**1,275**
(KHR'000 equivalent)	**5,147**
Balance at 31.12.2016	**37,895**

14. BORROWING

	2017		2016
	US$	KHM'000	US$
Term loan I	2,000,000	8,074,000	2,000,000
Term loan II	1,470,000	5,934,390	
Term loan III	1,500,000	6,055,500	-
	4,970,000	**20,063,890**	**2,000,000**

(a) Term loan I – on 1 May 2016, the Company obtained a US$2,000,000 term loan from a related party with a maturity date of 30 April 2021. This term loan is unsecured, bears interest at a rate of 6% per annum with monthly interest payment and single principal repayment at maturity date.

(b) Term loan II – on 1 March 2017, the Company obtained a US$1,470,000 term loan from a third party with a maturity date of 5 March 2020. This term loan is unsecured, bears interest at a rate of 8% per annum with monthly interest payment and single principal repayment at maturity dates.

(c) Term loan III – on 7 July 2017, the Company obtained a US$1,500,000 term loan from a third party with a maturity date of 15 July 2020. This term loan is unsecured, bears interest at a rate of 7.50% per annum with monthly interest payment and single principal repayment at maturity dates.

15. OTHER PAYABLES

	2017		2016
	US$	KHM'000	US$
Accrued interest payable	20,524	82,855	10,000
Withholding tax payable	5,116	20,653	2,422
Other payables	16,914	68,282	7,172
	42,554	**171,790**	**19,594**

16. SHARE CAPITAL

	2017			2016	
	Number	US$	KHM'000	Number	US$
Ordinary shares of US$1 each					
Registered	1,800,000	1,800,000	7,266,600	300,000	300,000
Registered and fully paid:					
At 1 January	300,000	300,000	1,211,100	300,000	300,000
Issued pursuant to:					
- new issue	1,500,000	1,500,000	6,055,500	-	-
At 31 December	**1,800,000**	**1,800,000**	**7,266,600**	**300,000**	**300,000**

During the financial year, the registered and paid-up ordinary share capital of the Company was increased from US$300,000 to US$1,800,000 by the way of issuance of 1,500,000 new ordinary shares of US$1 each for cash for working capital purposes.

The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

16 NOTE TO FINANCIAL STATEMENTS

17. INTEREST INCOME

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Loans to customers	563,018	2,272,904	138,358
Deposits and placements with banks	174,566	704,723	817
	737,584	2,977,627	139,175

18. INTEREST EXPENSE

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Interest on term loans	266,822	1,077,160	93,023

19. OTHER OPERATING INCOME

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Commission income	59,369	239,673	19,066
Others	17,930	72,383	200
	77,299	312,056	19,266

20. PERSONNEL EXPENSES

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Salaries and benefits	368,902	1,489,257	92,806
Others	2,239	9,039	412
	371,141	1,498,296	93,218

21. DEPRECIATION AND AMORTISATION EXPENSES

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Depreciation of property, plant and equipment	47,031	189,864	17,372
Amortisation of intangible asset	6,800	27,452	5,005
	53,831	217,316	22,377

22. GENERAL AND ADMINISTRATIVE EXPENSES

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Communication expenses	2,985	12,050	2,095
Membership and service fee	2,250	9,083	5,928
License fee	5,844	23,592	4,236
Meal and entertainment	4,100	16,552	630
Professional fee	7,916	31,957	7,010
Repair and maintenance	981	3,960	322
Rental fee	32,185	129,931	11,056
Stationery expenses	9,050	36,536	8,059
Travel expenses	12,488	50,414	6,688
Utilities expenses	10,317	41,650	2,588
Property, plant and equipment written off	39,451	159,264	-
Miscellaneous expenses	6,884	27,790	10,800
	134,451	542,779	59,412

23. TAX EXPENSE

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Income tax expense:			
Current year/period	8,162	32,950	1,580

16 NOTE TO FINANCIAL STATEMENTS

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% of the taxable profit or a minimum tax at 1% of total revenue, whichever is higher.

The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of the Company is as follows:

		1.1.2017 To 31.12.2017	8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Loss before tax	(11,998)	(48,436)	(109,589)
Tax at Cambodian statutory tax rate of 20% (2016:20%)	(2,400)	(9,689)	(21,918)
Tax effects in respect of:			
Non-allowable expenses	11,565	46,688	21,918
Deferred tax assets not recognised during the year/period	21,750	87,805	-
Tax allowances	(30,915)	(124,804)	-
Statutory minimum tax	8,162	32,950	1,580
	8,162	32,950	1,580

The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	2017		2016
	US$	KHM'000	US$
Unused tax losses			
- Expire by 31 December 2022	108,749	439,019	-

Deferred tax asset has not been recognised in respect of this item as it is not probable that taxable profits of the Company would be available against which the deductible temporary differences could be utilised.

The unused tax losses are subject to review and agreement by the General Department of Taxation.

16 NOTE TO FINANCIAL STATEMENTS

24. OPERATING LEASE COMMITMENTS

The Company as lessee

The Company had entered into non-cancellable lease agreements for office space, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. At period-end, the Company has outstanding commitments under non-cancellable operating leases that fall due, as follows:

	2017		2016
	US$	KHM'000	US$
Not later than one year	42,000	169,554	8,100
Later than one year and not later than five years	168,000	678,216	6,000
	210,000	847,770	14,100

16 NOTE TO FINANCIAL STATEMENTS

25. RELATED PARTY DISCLOSURES

The Company had the following transactions with a related party during the financial year.

	1.1.2017 To 31.12.2017		8.12.2015 to 31.12.2016
	US$	KHM'000	US$
Related parties			
Mr. Yamashita Tetsuo			
Loans received	-	-	2,000,000
Interest charges	139,535	563,303	93,023
Mrs. Mom Ratta			
Loans provided	60,000	242,220	-
Interest income	6,955	28,077	-
Directors			
Mr. Yamashita Takahiro			
Loans provided	125,000	504,625	-
Principal repayments received	2,129	8,595	-
Interest income	5,337	21,545	-
Mr. Bol Vanneat			
Loans provided	125,000	504,625	-
Principal repayments received	2,082	8,405	-
Interest income	5,383	21,731	-
Key management personnel			
Mr. Mak Chansopheara			
Loans provided	156,500	631,791	70,000
Principal repayments received	90,500	365,349	59,500
Interest income	9,428	38,061	3,754

Balances with a related party at the end of the reporting period are disclosed in Note 14 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objective is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the Company. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

Information on the management of the related exposures is detailed below.

Credit risk:

The Company assumes exposure to credit risk which is the risk that a counterparty will be unable to pay the amounts in full when due. The Company structures the levels of credit risk undertaken by placing limits on the amount of risk accepted in relation to one borrower, or Company of borrowers, and the geographical and industry segments. Procedures of risk limit setting, monitoring, usage, control are governed by internal regulations. Such risks are monitored on a regular basis.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet the interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate or personal guarantees as well as by providing for loan losses.

a. Risk limit control and mitigation policies:

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified. The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are collateral pledges over properties (land, building and other properties).

b. Maximum exposure to credit risk before collateral held or other credit enhancements:

	2017		2016
	US$	KHM'000	US$
Credit exposure relating to assets on the balance sheet:			
Balances with other banks	1,023,919	4,133,561	380,183
Loans to customers	5,251,486	21,200,249	1,689,451
Other receivables	73,219	295,585	27,055
	6,348,624	25,629,395	2,096,689

The above table represents a worst case scenario for credit risk exposure to the Company as at 31 December 2017, without taking into account any collateral held or other credit enhancements. For assets in the balance sheet, the exposure set out above is based on net carrying amounts.

c.Loans to customers

Loans to customers are summarised as follows:

	2017		2016
	US$	KHM'000	US$
Loans to customers neither past due nor impaired	5,251,486	21,200,249	1,689,451
Loans to customers individually impaired	250	1,009	-
Gross loans	5,251,736	21,201,258	1,689,451
Allowance for doubtful loans	(250)	(1,009)	-
	5,251,486	21,200,249	1,689,451

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the National Bank of Cambodia's requirements. The total allowance for doubtful loans is US$250 (2016: nil), which represents the mandatory provision required by the National Bank of Cambodia and additional provision for the loan losses.

(i) Loans to customers neither past due nor impaired

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

(ii) Loans to customers individually impaired

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

(iii) Loans to customers renegotiated

There were no renegotiated loans to customers as at 31 December 2017.

d. Repossessed collateral

During the financial period ended 31 December 2017, the Company did not obtain any assets by taking possession of collateral held as security.

(i) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, and cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavorable interest rate movement is monitored against the risk tolerance limits set. An analysis of the interest rate risk pertaining to the Company's assets and liabilities is disclosed below.

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

	Weighted average effective interest rate %	Within one year US$	One to five years US$	Over five years US$	Non-interest bearing US$	Total US$
As at 31 December 2017 Financial assets						
Cash on hand	-	-	-	-	11,735	11,735
Balances with National Bank of Cambodia:						
Current account	-	-	-	-	10,318	10,318
Statutory deposit	-	-	-	-	90,000	90,000
Balances with other banks	3.00	504,507	-	-	519,412	1,023,919
Loans to customers	18.50	889,639	2,146,881	2,214,966	-	5,251,486
Other receivables	-	-	-	-	73,219	73,219
		1,394,146	2,146,881	2,214,966	704,684	6,460,677
(KHR'000 equivalent)		5,628,167	8,666,958	8,941,818	2,844,809	26,081,752
Financial liabilities						
Other payables	-	-	-	-	42,554	42,554
Borrowing	7.04	-	4,970,000	-	-	4,970,000
		-	4,970,000	-	42,554	5,012,554
(KHR'000 equivalent)		-	20,063,890	-	171,790	20,235,680

	Weighted average effective interest rate %	Within one year US$	One to five years US$	Over five years US$	Non-interest bearing US$	Total US$
As at 31 December 2016 Financial assets						
Cash on hand	-	-	-	-	4,130	4,130
Balances with National Bank of Cambodia:						
Current account	-	-	-	-	5,028	5,028
Statutory deposit	-	-	-	-	15,000	15,000
Balances with other banks	4.75	200,000	-	-	180,183	380,183
Loans to customers	18.62	471,615	584,453	633,383	-	1,689,451
Other receivables	-	-	-	-	27,055	27,055
		671,615	584,453	633,383	231,396	2,120,847
Financial liabilities						
Other payables	-	-	-	-	19,594	19,594
Borrowing	6.00	-	-	2,000,000	-	2,000,000
		-	-	2,000,000	19,594	2,019,594

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity risk

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

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

	On demand or within one year	One to five years	Over five years	Total
	US$	US$	US$	US$
At 31.12.2017				
Other payables	42,554	-	-	42,554
Borrowings	-	4,970,000	-	4,970,000
	42,554	4,970,000	-	5,012,554
(KHR'000 equivalent)	171,790	20,063,890	-	20,235,680
At 31.12.2016				
Other payables	19,594	-	-	19,594
Borrowing	-	-	2,000,000	2,000,000
	19,594	-	2,000,000	2,019,594

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

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

(v) Capital management

The objectives of the Company on managing of capital are to meet the NBC's requirement, continue as a going concern and support the development of the business by maintain strong capital.

The table below summarises the composition of regulatory capital:

	2017		2016
	US$	KHR'000	US$
Share capital	1,800,000	7,266,600	300,000
Accumulated losses	(131,329)	(530,175)	(111,169)
	1,668,671	6,736,425	188,831

27. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. 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. 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.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

	As restated US$	As previously stated US$
Income statement		
Other operating expenses	-	(175,007)
Personnel expenses	(93,218)	-
Depreciation and amortisation expenses	(22,377)	-
General and administrative expenses	(59,412)	-

17 REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditor

(Extracted from Audited Financial Statements)

Opinion

We have audited the financial statements of SAHAKA Microfinance Institution Plc. ("the Company"), which comprise balance sheet as at 31 December 2017, and income statement, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2017, and a summary of significant accounting policies, as set out on pages 8 to 35.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia.

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

Independence and Other Ethical Responsibilities

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.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report

but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia. The Directors are also responsible for such internal control as the Directors determine

are necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 the Directors either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

As part of an audit in accordance with CISAs,

we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

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

17 REPORT OF INDEPENDENT AUDITORS

our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 29 May 2018

18 COMPANY INFORMATION

Institution	SAHAKA Microfinance Institution Plc.	
Registration No.	00005854 (Co. 4361 E/2015)	
Registered Office	Headquarter: #206E0E1, Street 155, Sangkat Toul Tompoung I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia Tel +855 (0)23 967 779 E-mail info@sahakamfi.com Website www.sahakamfi.com Facebook www.facebook.com/SAHAKA MFI Call Center +855 (0)61 500 979 | +855 (0)93 500 979 E-mail customer_service@sahakamfi.com	
Board of Director	Mr. Bol Vanneat Mr. Takahiro Yamashita Mr. Mak Chansopheara	Chairman Board Member Independent Board of Director
Management Team	Mr. Pen Piphoup Mr. Seng Chanthoeun Miss. Pheuk Samphors Mrs. Seng Chantrea Mr. Hang Youlay Mr. Oum Panha Mr. Prom Maryyuthanea Mr. Snguon Sothearith	Chief Credit Officer Finance Manager Accounting Supervisor Chief Teller Senior IT Officer Senior Administration Officer Risk Officer Compliance Officer
Auditor	BDO (Cambodia) Limited	

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