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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!

Like us on facebook page.

VISION

To be an outstanding Financial Institution that improves the living standards of the population and contributes to the economic and social development of Cambodia.

MISSION

To provide sustainable access to financial services and become an outstanding Financial Institution with quality assets and excellent risk management practices.

OUR PRODUCTS

PERSONAL LOAN

The loans provided for personal uses including family or household for various purposes.

BUSINES LOAN

The loans are granted to small businesses for specific business purposes.

HOUSING LOAN

The loans are provided to borrowers who want to buy or construct houses for their own needs.

EDUCATION LOAN

The loans offered to students for paying off education related expenses such as college tuition or school fee, room and board or materials.

CHAIRMAN'S STATEMENT

BOL VANNEAT

Chairman and CEO

Looking back at our work over the past year, we see that SAHAKA has been contributed to the steady growth of the Cambodian economy. 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 2018 is included in the financial statement. Even it is our third year of operations and we did not make a profit, but our operational performance was very good by reaching our target of almost 5.26 million.

CAPITAL 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 US dollar into our capital this year in 2017 and in our planning we will increase our capital for another 0.5 million US dollar next year.

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.

OUTLOOK

We see 2019 as the year of our new opportunities and challenges. We have key strategic advantages and we will certainly focus on the micro and SMEs. Beside this opportunity, we will also focus on the quality of our loan products and services in order to respond to the customers' needs.

Taking this opportunity, I would like to thank all our customers, our investors, each employee and other stakeholders for their invaluable support and contribution to our development in 2018.

Mr. Bol Vanneat
Chairman
20 July 2019

BOARD OF DIRECTORS

BOL VANNEAT

Chairman of Board and CEO

Mr. Vanneat is a CEO of Neat Education Information Center Co., Ltd (NEiC) and NiCam Co., Ltd (NiCam).

Having obtained a Bachelor Degree of Art in Education from IFL and completing the Exchange Study Program in Education from Japan, he worked for the Bank of Tokyo-Mitsubishi UFJ Ltd (BTMU).

TAKAHIRO YAMASHITA

Board Member and CFO

Mr. Takahiro is a CFO of Neat Education Information Center Co., Ltd (NEiC) and NiCam Co., Ltd (NiCam). He is also a CEO of CPOD Financial Consultation Co., Ltd. In Singapore.

Hiro has more than 15 years' experiences in Financial Consultation Services and Advisor.

MANAGEMENT TEAM

Mr. SUM SINATH
Chief Operations Officer

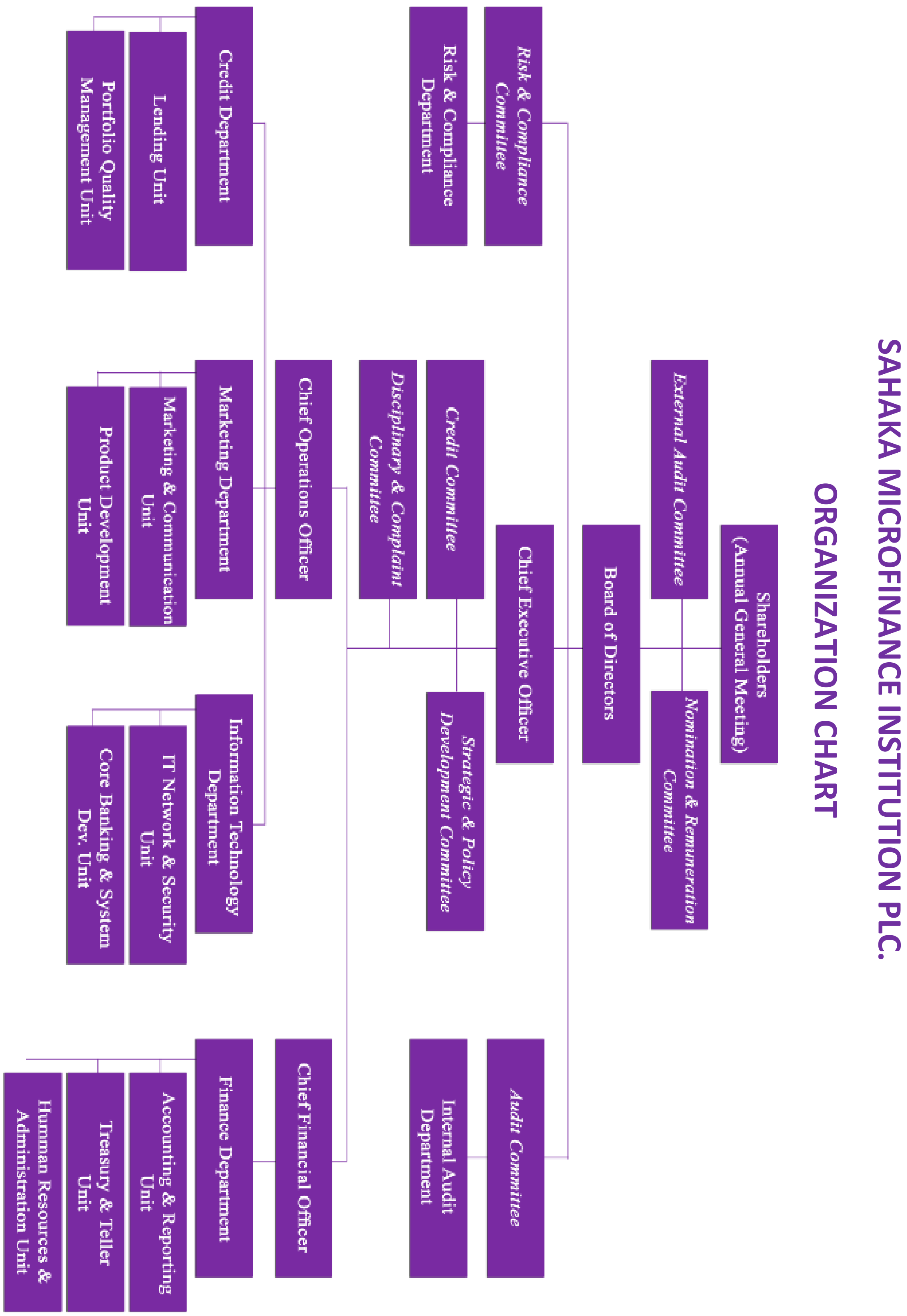
Mr. NOUV VANNAK
Credit Manager

Mr. SENG CHANTHOEUN
Finance Manager

Mr. TUN BUNTHOEUN
Chief Credit Officer

Miss. PHEUK SAMPHORS
Accounting Supervisor

ORGANIZATION CHART



FINANCIAL HIGHTLIGHTS

FINANCIAL RESULT	2018 USD	2018 KHR'000	2017 USD
Financial Position			
Assets	7,058,136	28,359,590	6,681,225
Loan to Customers	5,264,900	21,154,368	5,251,486
Liabilities	5,817,137	23,373,256	5,012,554
Paid-up Capital	1,800,000	7,227,000	1,800,000
Shareholder's Equity	1,240,999	4,986,334	1,668,671
Incomes and Expenses			
Interest Income	878,544	3,529,990	737,584
Other Operating Income	94,069	377,969	77,299
Interest Expenses	(387,343)	(1,556,344)	(266,822)
Non-interest Expenses	(1,003,216)	(4,030,922)	(559,423)
Income Tax Expenses	(9,726)	(39,079)	(8,162)

OPERATIONAL HIGHLIGHTS

OPERATING RESULT	2018	2017
Operating Provinces	17	17
Operating Districts	68	68
Operating Communes	159	159
Operating Villages	310	310
Total Branch	1	1
Total Staff	34	35
Total Borrowers	591	579
Customer Retention Rate	50%	39%
Loan Outstanding (USD)	5,621,888	5,251,486
Loan Outstanding (USD)/Credit Officer	562,189	750,212
Loan Outstanding (USD)/Staff	165,350	150,042
Average Loan Size (USD)	9,513	9,070
Portfolio at Risk (PAR%)	6%	0%
Total Assets (USD)	7,058,136	6,681,225

SOCIAL RESPONSIBILITY HIGHLIGHTS

SOCIAL PERFORMANCE RESULT	2018	2017
Number of Borrower	591	579
Female Borrower	189	179
Number of SMEs Loan	183	188
Credit History Checked, Credit Bureau	100%	100%
Total Staff	34	35
Female Staff	11	12
Staff Retention Rate	95%	97%
Number of Training Course per Staff	3	3
Tax on Salary and fringes	42,310	40,528
Withholding Tax	59,501	45,656
Minimum Tax	3,726	8,162

STATEMENT OF FINANCIAL POSITION

	2018 USD	2018 KHR'000	2017 USD
ASSETS			
Cash on hand	99,748	400,787	11,735
Balances with NBC	100,805	405,034	100,318
Balances with other banks	1,323,486	5,317,767	1,023,919
Loans to customers	5,264,900	21,154,368	5,251,486
Other receivables	110,169	442,659	73,219
Property, plant & equipment	157,551	633,040	219,273
Intangible asset	1,477	5,934	1,275
TOTAL ASSETS	**1,058,136**	**28,359,590**	**6,681,225**
LIABILITIES AND EQUITY			
LIABILITIES			
Borrowing	5,720,000	22,982,960	4,970,000
Other payables	97,137	390,296	42,554
TOTAL LIABILITIES	**5,817,137**	**23,373,256**	**5,012,554**
EQUITY			
Share capital	1,800,000	7,232,400	1,800,000
Accumulated losses	(559,001)	(2,246,06)	(131,329)
TOTAL EQUITY	**1,240,999**	**4,986,334**	**1,668,671**
TOTAL LIABILITIES AND EQUITY	**7,058,136**	**28,359,590**	**6,681,225**

PROFIT AND LOSS STATEMENT

	2018 USD	2018 KHR'000	2017 USD
Interest income	878,544	3,529,990	737,584
Interest Expense	(387,343)	(1,556,344)	(266,822)
NET INTEREST INCOME	**491,201**	**1,973,646**	**470,762**
Allowance for doubtful loans	(356,988)	(1,434,378)	(636)
Other operating income	94,069	377,969	77,299
Other operating expenses	(646,228)	(2,596,544)	(559,423)
LOSS BEFORE TAX	**(417,946)**	**(1,679,307)**	**(11,998)**
Tax expense	(9,726)	(39,079)	(8,162)
LOSS FOR THE FINANCIAL PERIOD	**(427,672)**	**(1,718,386)**	**(20,160)**

STATEMENT OF CHANGE IN EQUITY

	Share capital USD	Accumulated Loss USD	Total USD
Balance as at 31 December 2016/1 January 2017	**300,000**	**(111,169)**	**188,831**
Loss for the financial period	-	(20,160)	(20,160)
Transaction with owners			
Share issue	1,500,000	-	1,500,000
Balance as at 31 December 2017/1 January 2018	**1,800,000**	**(131,329)**	**1,668,671**
Loss for the financial year	-	(427,672)	(427,672)
Balance as at 31 December 2018	**1,800,000**	**(559,001)**	**1,240,999**
(KHR'000 equivalent)	***7,232,400***	***(2,246,066)***	***4,986,334***

STATEMENT OF CASH FLOWS

	2018 USD	2018 KHR'000	2017 USD
Cash flows from operating activities			
Loss before tax	(417,946)	(1,679,307)	(11,998)
Adjustments for:			
Allowance for doubtful loans	356,988	1,434,378	(636)
Amortization of intangible asset	2,752	11,058	6,800
Depreciation of property, plant and equipment	68,347	274,618	47,031
Intangible asset write off	-	-	34,320
Interest expense	387,343	1,556,344	266,822
Property, plant and equipment written off	6,342	25,482	5,131
Operating profit before working capital changes	**403,826**	**1,622,573**	**347,470**
Changes in working capital			
Loans to customers	(370,402)	(1,488,275)	(3,561,399)
Other receivables	(36,950)	(148,465)	(46,164)
Other payables	46,301	186,037	12,436
Cash generated from/(used in) operations	42,775	171,870	(3,247,657)
Placement of statutory deposit	-	-	(75,000)
Tax paid	(9,726)	(39,079)	(8,162)
Net cash used in operating activities	**33,049**	**132,791**	**(3,330,819)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(12,967)	(52,101)	(221,752)
Purchase of intangible asset	(2,954)	(11,869)	(4,500)
Net cash used in investing activities	**(15,921)**	**(63,970)**	**(226,252)**

STATEMENT OF CASH FLOWS (CONTINUED)

	2018 USD	2018 KHR'000	2017 USD
Cash flows from financing activities			
Proceeds from borrowing	750,000	3,013,500	2,970,000
Interest paid	(379,061)	(1,523,068)	(256,298)
Proceeds from issuance of ordinary shares	-	-	1,500,000
Net cash from financing activities	**370,939**	**1,490,432**	**4,213,702**
Net increase in cash and cash equivalents	***388,067***	***1,559,253***	***656,631***
Cash and cash equivalents at date of incorporation	***1,045,972***	***4,202,715***	***389,341***
Cash and cash equivalents at end of financial period	***1,434,039***	***5,761,968***	***1,045,972***
Cash and cash equivalents comprise the following:			
Cash on hand	99,784	400,787	11,735
Balances with NBC	10,805	43,414	10,318
(excluding statutory deposit)			
Balances with other banks	1,323,486	5,317,767	1,023,919
Cash and cash equivalents at end of financial period	**1,434,039**	**5,761,968**	**1,045,972**

NOTE TO FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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 ("USD"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of the Directors on 29 May 2019.

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, USD1 = KHR4,018 (2017: USD1 = 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 USD 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

In previous financial year, specific allowance for bad and doubtful loans was made on loans that were identified as non-performing in compliance with NBC guidelines as follows:

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%

For the current financial year, the Company records the mandatory credit classification and provisioning as required by Prakas B7-017-344 Pro Kor dated 1 December 2017. The Prakas requires microfinance institutions to classify their loan portfolio into the following five 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):		
General		
Normal	0 - 14 days	1%
Specific		
Special mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%
Long-term loans (more than one year):		
General		
Normal	0 - 29 days	1%
Specific		
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

The above changes in loan classification and provisioning are applied prospectively effective from the current financial year and the effect of these changes resulted in an increase in allowance for bad and doubtful loans of USD119,256.

The allowance 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.

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 recognized in income statement.

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

(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 recognized 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 recognized 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 recognized.

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 amortization, if no impairment loss had been recognized. Such reversals are recognized as income immediately in the income statement.

4.9. Provisions

Provisions are recognized 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 recognized for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognized 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 realized 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 ("USD"), management have determined USD 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.

The accounting principles applied may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of the country of the reader. 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. 004 NAC dated 3 January 2019 issued by the NAC f MoEF, effective 1 January 2019, specialised banks, microfinance institutions and leasing companies are required to adopt either CIFRSs or CIRFSs for SMEs while commercial banks and deposit taking microfinance institutions are required to adopt CIFRSs.

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 B7-017-344 Pro Kor dated 1 December 2017. The Prakas requires microfinance institutions to classify their loan portfolio into five 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 recognize 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 recognized, such differences will impact the tax provision in the financial period in which such determination is made.

7. CASH ON HAND

	2018		2017
	USD	KHR'000	USD
Cash on hand	99,748	400,787	11,735

8. BALANCES WITH National Bank of Cambodia

	2018		2017
	USD	KHR'000	USD
Current account	10,805	43,414	10,318
Statutory deposit	90,000	361,620	90,000
	100,805	405,034	100,318

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

	2018		2017
	USD	KHR'000	USD
Advanced Bank of Asia	334,894	1,345,604	519,412
ACLEDA Bank	236,108	948,682	-
Wing Specialized Bank	1,974	7,932	-
LOLC (Cambodia)	750,000	3,013,500	-
Hatakasakor Microfinance Institute	510	2,049	504,507
	1,323,486	5,317,767	1,023,919

The Company has fixed deposit accounts at Hatakasekor Microfinance Institute and LOLC (Cambodia). The fixed deposit accounts earn interest at the annual rate ranging from 3.00% to 3.25% (2017: 2.00% to 3.00%) during the current financial year.

10. LOANS TO CUSTOMERS

	2018 USD	2018 KHR'000	2017 USD
Individual loans	5,621,888	22,588,746	5,251,736
Allowance for doubtful loans	(356,988)	(1,434,378)	(250)
	5,264,900	21,154,368	5,251,486

(a) Allowance for doubtful loan

	2018 USD	2018 KHR'000	2017 USD
Balance at beginning of year	250	1,005	-
Allowance for the year	356,988	1,434,378	636
Written off	(250)	(1,005)	(386)
Balance at end of year	356,988	1,434,378	250

(b) By maturity

	2018 USD	2018 KHR'000	2017 USD
Within one year	390,140	1,567,582	889,639
From one to five years	3,657,310	14,695,072	2,146,881
Over five years	1,574,438	6,326,092	2,215,216
	5,621,888	22,588,746	5,251,736

(c) By currency

	2018 USD	2018 KHR'000	2017 USD
US Dollar	5,590,825	22,463,935	5,251,736
Khmer Riel	31,063	124,811	-
	5,621,888	22,588,746	5,251,736

(d) By economic sector

	2018 USD	2018 KHR'000	2017 USD
Trade and commerce	2,660,774	10,690,990	2,934,509
Household/Family	2,960,698	11,896,085	2,317,227
Agriculture	416	1,671	-
	5,621,888	22,588 ,746	5,251,736

(e) **By relationship**

	2018 USD	2018 KHR'000	2017 USD
External customers	5,067,279	20,360,327	4,698,992
Staff	554,609	2,228,419	552,744
	5,621,888	22,588,746	5,251,736

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

	2018 USD	2018 KHR'000	2017 USD
Normal loans:			
Secured	3,887,662	15,620,626	3,453,880
Unsecured	866,073	3,479,881	1,797,856
Special mention loans:			
Secured	1,700	6,831	-
Unsecured	-	-	-
Sub-Standard loans:			
Secured	684,355	2,749,738	-
Unsecured	2,710	10,889	-
Doubtful loans:			
Secured	4,113	16,526	-
Unsecured	10,690	42,952	-
Loss loans:			
Secured	151,451	608,530	-
Unsecured	13,134	52,773	-
	5,621,888	22,588,746	5,251,736

(g) **By exposure**

	2018 USD	2018 KHR'000	2017 USD
Large exposures	-	-	-
Non-large exposures	5,621,888	22,588,746	5,251,736
	5,621,888	22,588,746	5,251,736

A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Company's net worth. The exposure is the higher of the outstanding loans or commitments and the authorized loans or commitments.

11. OTHER RECEIVABLES

	2018 USD	2018 KHR'000	2017 USD
Interest receivable	77,335	310,732	50,439
Advances	32,834	131,927	22,780
	110,169	442,659	73,219

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements USD	Furniture and fixtures USD	Office equipment USD	Computer equipment USD	Motor vehicles USD	Other assets USD	Total USD
Cost							
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
Additions	2,266	10	6,242	2,775	1,250	424	12,967
Written off	-	-	-	-	-	(8,757)	(8,757)
Balance at 31.12.2018	45,996	2,297	23,253	23,480	179,396	6,014	280,436
Accumulated depreciation							
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
Depreciation for the financial year	7,478	729	3,844	7,319	44,814	4,163	68,347
Written off	-	-	-	-	-	(2,415)	(2,415)
Balance at 31.12.2018	10,450	1,814	12,945	16,081	72,539	9,056	122,885
Carrying amounts							
Balance as at 31.12.2018	**35,546**	**483**	**10,308**	**7,399**	**106,857**	**(3,042)**	***157,551***
(KHR'000 equivalent)	*142,824*	*1,941*	*41,418*	*29,729*	*429,351*	*(12,223)*	*633,040*
Balance at 31.12.2017	40,758	1,202	7,910	11,943	150,421	7,039	219,273

13. INTANGIBLE ASSET

	Computer software USD
Cost	
Balance at 31.12.2016	42,900
Additions	4,500
Written off	(42,900)
Balance at 31.12.2017	4,500
Additions	2,954
Balance at 31.12.2018	7,454
Accumulated amortization	
Balance at 31.12.2016	5,005
Amortization for the financial year	6,800
Written off	(8,580)
Balance at 31.12.2017	3,225
Amortization for the financial year	2,752
Balance at 31.12.2018	5,977
Carrying amounts	
Balance at 31.12.2018	**1,477**
(KHR'000 equivalent)	*5,935*
Balance at 31.12.2017	1,275

14. BORROWING

	2018 USD	2018 KHR'000	2017 USD
Term loan I	2,000,000	8,036,000	2,000,000
Term loan II	1,370,000	5,504 ,660	1,470,000
Term loan III	1,500,000	6,027,000	1,500,000
Term Loan IV	350,000	1,406,300	-
Term Loan V	500,000	2,009,00	-
	5,720,000	22,982,960	4,970,000

(a) Term loan I – on 1 May 2016, the Company obtained a USD2,000,000 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 USD1,470,000 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 USD1,500,000 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.

(d) Term loan IV – on 1 May 2018, the Company obtained a USD350,000 term loan from a related party with a maturity date of 30 April 2023. This term loan is unsecured, bears interest at a rate of 7% per annum with monthly interest payment and single principal repayment at maturity date.

(e) Term loan IV – on 1 November 2018, the Company obtained a USD500,000 term loan from a related party with a maturity date of 30 October 2023. This term loan is unsecured, bears interest at a rate of 7% per annum with monthly interest payment and single principal repayment at maturity date.

15. OTHER PAYABLES

	2018 USD	2018 KHR'000	2017 USD
Accrued interest payable	28,806	115,743	20,524
Withholding tax payable	9,949	39,974	5,116
Interest-in-suspense	38,013	152,736	-
Other payables	20,369	81,842	16,914
	97,137	390,296	42,554

16. SHARE CAPITAL

	2018 Number	2018 USD	2018 KHR'000	2017 Number	2017 USD
Ordinary shares of USD1 each Registered	1,800,000	1,800,000	7,232,400	300,000	300,000
Registered and fully paid: At 1 January	1800,000	1800,000	7,232,400	300,000	300,000
Issued pursuant to:					
- new issue	-	-	-	1,500,000	1,500,000
At 31 December	1,800,000	1,800,000	7,232,400	1,800,000	1,800,000

In the previous year, the registed and paid-up ordinary share capital of the Company was increased from USD300,000 to USD1,800,000 by the way of issuance of 1,500,000 new ordinary shares of USD1 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.

17. INTEREST INCOME

	2018 USD	2018 KHR'000	2017 USD
Loans to customers	872,165	3,504,359	563,018
Deposits and placements with banks	6,379	25,631	174,566
	878,544	3,529,990	737,584

18. INTEREST EXPENSE

	2018 USD	2018 KHR'000	2017 USD
Interest on term loans	387,343	1,556,344	266,822

19. OTHER OPERATING INCOME

	2018 USD	2018 KHR'000	2017 USD
Commission income	48,521	194,958	59,369
Others	45,548	183,011	17,930
	94,069	377,969	77,299

20. PERSONNEL EXPENSES

	2018 USD	2018 KHR'000	2017 USD
Salaries and benefits	450,627	1,810,619	368,902
Others	7,373	29,625	2,239
	458,000	1,840,244	371,141

21. DEPRECIATION AND AMORTISATION EXPENSES

	2018 USD	2018 KHR'000	2017 USD
Depreciation of property, plant and equipment	68,347	274,618	47,031
Amortization of intangible asset	2,752	11,058	6,800
	71,099	285,676	53,831

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2018 USD	2018 KHR'000	2017 USD
Communication expenses	6,451	25,920	2,985
Membership and service fees	3,749	15,063	2,250
License fee	5,537	22,248	5,844
Meal and entertainment	8,792	35,326	4,100
Professional fee	8,654	34,772	7,916
Repair and maintenance	125	502	981
Rental fee	43,019	172,850	32,185
Stationary expenses	5,306	21,320	9,050
Travel expenses	13,988	56,204	12,588
Utilities expenses	6,730	27,041	10,317
Property, plant and equipment and intangible asset written off	-	-	39,451
Miscellaneous expenses	14,778	59,378	6,884
	117,129	470,624	134,551

23. TAX EXPENSE

	2018 USD	2018 KHR'000	2017 USD
Income tax expense:			
Current year	9,726	39,079	8,162

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:

	2018 USD	2018 KHR'000	2017 USD
Loss before tax	(417,946)	(1,200,136)	(109,589)
Tax at Cambodian statutory tax rate of 20% (2017: 20%)	(83,589)	(240,027)	(21,918)
Tax effects in respect of:			
Non-allowable expenses	15,386	61,821	11,565
Deferred tax asset not recognized during the year	58,381	234,574	21,750
Tax allowances	(14,029)	(56,368)	(30,915)
Statutory minimum tax	9,726	39,079	8,162
	9,726	39,079	8,162

The amount of temporary differences for which no deferred tax asset has been recognized in the balance sheet is as follows:

	2018 USD	2018 KHR'000	2017 USD
Unused tax losses			
- Expire by 31 December 2022	108,749	436,953	108,749
- Expire by 31 December 2023	291,905	1,172,874	-
	400,654	1,609,828	108,749

Deferred tax asset has not been recognized 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 utilized.

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

24. OPERATING LEASE COMMITMENTS

The Company as lessee

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:

	2018 USD	2018 KHR'000	2017 USD
Not later than one year	42,000	175,560	42,000
Later than one year and not later than five years	126,000	526,680	168,000
	168,000	702,240	210,000

25. RELATED PARTY DISCLOSURES

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

	2018 USD	2018 KHR'000	2017 USD
Related parties			
Mr. Yamashita Tetsuo			
Interest charges	139,535	560,652	139,535
Mrs. Mom Rata			
Loans provided	-	-	60,000
Interest income	7,917	31,812	6,955
Ms. Ouk Savy			
Loans provided	35,000	140,630	-
Repayments received	486	1,953	-
Interest income	668	2,683	-

	2018 USD	2018 KHR'000	2017 USD
Directors			
Mr. Yamashita Takahiro			
Loans provided	-	-	125,000
Repayments received	6,820	27,403	2,129
Interest income	15,567	62,584	5,337
Mr. Bol Vanneat			
Loans provided	-	-	125,000
Repayments received	6,814	27,379	2,082
Interest income	15,583	62,612	5383
Key management personnel			
Mr. Mak Chansopheara			
Loans provided	-	-	156,500
Repayments received	-	-	90,500
Interest income	8,385	33,691	9,428

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 optimize value creation for its shareholders whilst minimizing 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.

(i) 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

		2018	2017
	USD	KHR'000	USD
Credit exposure relating to assets on the balance sheet:			
Balances with other banks	1,323,486	5,317,767	1,023,919
Loans to customers	5,264,900	21,154,368	5,251,486
Other receivables	110,169	442,659	73,219
	6,698,555	26,914,794	6,348,624

The above table represents a worst case scenario for credit risk exposure to the Company as at 31 December 2018, 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:

		2018	2017
	USD	KHR'000	USD
Loans to customers neither past due nor impaired	4,706,198	18,909,502	5,251,486
Loans to customers past due but not impaired	558,703	2,244,866	-
Loans to customers individually impaired	356,988	1,434,378	250
Gross loans	5,621,888	22,588,746	5,251,736
Allowance for doubtful loans	(356,988)	(1,434,378)	(250)
	5,264,900	21,154,368	5,251,486

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 USD356,988 (2017: USD250), 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 past due but not impaired

Loans to customers which are 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 B7-017-344 Pro Kor dated 1 December 2017 on loan classification and provisioning, a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

	2018 USD	2018 KHR'000	2017 USD
Past due 0 - 29 days	47,537	191,004	-
Past due 30 - 89 days	51	205	-
Past due 90 - 179 days	137,413	552,125	-
Past due 189 - 359 days	7,401	29,737	-
Past due 360 days or more	164,586	661,307	250
	356,988	1,434,378	250

(iii) Loans to customers renegotiated

There were no renegotiated loans to customers as at 31 December 2018.

d. Repossessed collateral

During the financial period ended 31 December 2018, 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 summarizes the Company's exposure to interest rate risk. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2018	Weighted average effective interest rate %	Within one year USD	One to five years USD	Over five years USD	Non-interest bearing USD	Total USD
Financial assets						
Cash on hand	-	-	-	-	99,748	99,748
Balances with National Bank of Cambodia:						
Current account	-	-	-	-	10,805	10,805
Statutory deposit	-	-	-	-	90,000	90,000
Balances with other banks	3.25	750,510			572,976	1,323,486
Loans to customers	15.75	390,140	3,657,310	1,217,450	-	5,264,900
Other assets	-	-	-	-	110,169	110,169
		1,140,650	3,657,310	1,217,450	883,698	6,899,108
(KHR'000 equivalent)		*4,583,132*	*14,695,072*	*4,891,714*	*3,550,699*	*27,720,616*
Financial liabilities						
Other payables	-	-	-	-	97,137	97,137
Borrowings	7.06	-	5,720,000	-	-	5,720,000
		-	5,720,000	-	97,137	5,817,137
(KHR'000 equivalent)		-	*22,982,960*	-	*390,296*	*23,373,256*

As at 31 December 2017	Weighted average effective interest rate %	Within one year USD	One to five years USD	Over five years USD	Non-interest bearing USD	Total USD
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	-	504,507	-	-	519,412	1,023,919
Loans to customers	3.00	889,639	2,146,881	2,214,966	-	5,251,486
Other receivables	18.50	-	-	-	73,219	73,219
		1,394,146	2,146,881	2,214,966	704,684	6,460,677
Financial liabilities						
Other payables	-	-	-	-	42,554	42,554
Borrowings	7.04	-	4,970,000	-	-	4,970,000
		-	4,970,000	-	42,554	5,012,554

(ii) 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 USD	One to five years USD	Over five years USD	Total USD
At 31.12.2018				
Other payables	97,137	-	-	97,137
Borrowings	-	5,720,000	-	5,720,000
	97,137	5,720,000	-	5,817,137
(KHR'000 equivalent)	*390,296*	*22,982,960*	-	*23,373,256*
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

(iii) 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 USD. Significant presence of USD is a normal practice of companies operating in Cambodia as this is a currency widely in use in Cambodia.

(iv) 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 summarizes the composition of regulatory capital:

	2018		2017
	USD	KHR'000	USD
Share capital	1,800,000	7,232,400	1,800,000
Accumulated losses	(559,001)	(2,246,066)	(131,329)
	1,240,999	4,986,334	1,668,671

27. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterized 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.

REPORT OF INDEPENDENT AUDITOR

Report on the Audit of Financial Statements
(Extracted from Audited Financial Statement)

Opinion

We have audited the financial statements of SAHAKA Microfinance Institution Plc., ("the Company"), which comprise balance sheet as at 31 December 2018, and income statement, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2018, and a summary of significant accounting policies, as set out on pages 8 to 38.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 Financial 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 *Code of Ethics for Professional Accountants and Auditors* of the Kampuchea Institute of Certified Public Accountants and Auditors ("Code of Ethics") and 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 Code of Ethics and 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.

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 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.

Other Matters

This report is made solely to the shareholders of the Company, as a body. We do not assume responsibility to any other person for the content of this report.

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 29 May 2019

COMPANY INFORMATION

Institution	**SAHAKA Microfinance Institution Plc.**	
Registration No.	00005854 (Co. 4361 E/2015)	
Registered Office	**Headquarter:** #206E0E1, Street 155 & 470, Sangkat Toul Tompoung I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia Tel: +855 (0)23 967 779 E-mail: sahakamfi@sahakamfi.com Website: www.sahakamfi.com Facebook: SAHAKA MFI Call Center: +855 (0)61 500 979 | +855 (0)93 500 979 E-mail: info@sahakamfi.com	
Board of Director	Mr. Bol Vanneat Mr. Takahiro Yamashita	Chairman Board Member
Management Team	Mr. Sum Sinath Mr. Nouv Vannak Mr. Tun Bunthoeun Mr. Seng Chanthoeun Miss. Pheuk Samphors	Chief Operations Officer Credit Manager Chief Credit Officer Finance Manager Accounting Supervisor
Internal Auditor	Mr. Chy Longheng	Senior Internal Auditor
Independent Auditor	BDO (Cambodia) Limited	

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