



ហ្វុណាន មីក្រូហិរញ្ញវត្ថុ ភីអិលស៊ី
富南小額信貸公司 FUNAN Microfinance Plc.

ANNUAL REPORT 2017

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Leadership

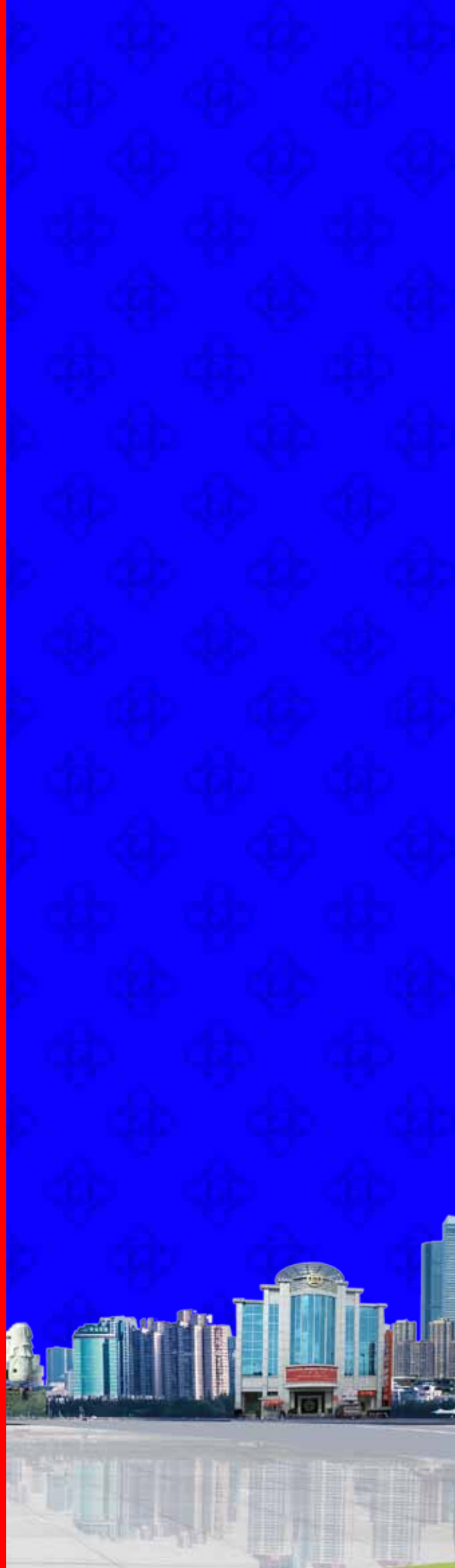
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Corporate Profile

April, 2017

Acquired by CP-Bank ,100% of Shares

August, 2015

Granted by NBC, MFI License

2013-2015

Registered as Rural Credit Operator



Company profile

Funan Microfinance Plc. is the subsidiary company of Cambodia post bank Plc. established in July 2011 as an NGO named Cambodian Association Development (CAD) legally registered with Ministry of Interior to provide the quality micro-loan to the poor for developing their community. By the end of 2014, CAD had 49 branches, 821 staffs, more than 30,000 clients with loan outstanding around US\$4 Million.

In August 11, 2015 Cambodian Association Development (CAD) received the microfinance license from National Bank of Cambodia (NBC) named Funan Microfinance Plc; and legally registered with other government authorities such as Ministry of Commerce in June 2015 and General Department of Taxation in July 2015. All assets and liabilities of the CAD had been transferred and received officially approval by the National Bank of Cambodia in August 11, 2015. In 2016, Funan Microfinance Plc had 49 branches, 733 employees, more than 30,311 clients and loan outstanding around US\$ 10 Million.

On 30th November 2016, Cambodia Post Bank Plc. entered into a sale and purchase agreement (SPA) with the Company's shareholders to acquire 100% shares of the Company. This was subsequently approved by the National Bank of Cambodia (NBC) on 4th April 2017 and approved by the Ministry of Commerce on 11 April 2017.

On May 12, 2017, Funan organized an official shares transfer event attended from new and existing shareholders, authorities, staff and management, other national and international distinguished guests hold at City Hall, Koh Pich. During the year of acquisition in 2017, Funan Microfinance Plc. has been transformed and defined new target market segment compliment to the target market of its parents company, the Cambodia Post Bank PLc. In 2017, Funan had 51 branches, 638 employees, 19,825 clients, and the loan outstanding was increased to US\$28.7 Million.

Vision, Mission & Core Values



VISION:

To be the best Microfinance Institution (MFI) that enables success and enriches lives of Cambodian people.

MISSION:

To provide innovative financial products and services, that are simple, convenient, and fast; and comply with regulations.

CORE VALUES

Our Core Values is defined in a short form of TEAM.

■ Trust

A trusted partner in our stakeholder's success. Within Funan, we have the utmost confidence in our colleagues to play their part in achieving our common goals.

■ Entrepreneurship

We encourage empowerment, initiative, and transparency among employees to continue to reinvent, and improve our products, services and operational processes.

■ Accountability

Own our actions, make it happen with diligence and honesty.

■ Morality

We take our social responsibility seriously. We apply the highest moral and ethical standards to each and every thing that we do – inside and outside the Company.

Corporate Governance

Funan Microfinance PLC. creates a corporate governance to provide greater confidence to all stakeholders including partners, investors, suppliers, creditors, customers and compliance with the regulations stated in B7-08-211 Prakas of governance in Banks and Microfinance Institutions. In addition, good Corporate Governance ensures sustainable business operations, managing and addressing key business risks on time.

The established Corporate Governance Structure comprising the following parties, provides a comprehensive framework to (i) independent internal auditor who reports to the Chairman of the Audit Committee and not to the management (ii) independent external auditor who is appointed by the board and submits his report to the board (iii) management committees which are responsible for various day to day running aspects of the bank (iv) various codes of conduct, whistle blower policies that are in place. (v) Board / committees have oversight and approve important aspects such as yearly budget for expenses and manpower, audit plan, credit risk policies etc. with the execution of these policies and plans being the responsibility of the management.

The role of the Board is defined by taking into account prevailing international best practices while ensuring compliance with local legal and regulatory framework. The current corporate governance structure includes the Board of Directors (BOD) and under BOD we have professional board committees and executive committees.

BOARD COMMITTEES:

Further the Company believes that an active, well-informed and Independent Board is necessary to ensure the highest standards of Corporate Governance. Funan's Board of Directors is appointed by National Bank of Cambodia consist of five members, two independents Board members. The Board is responsible for overall compliance with the corporate governance and oversees the performance of the company and ensures shareholders protection and maximization of their long term values. There is also an active participation of Independent Directors in the Company.

In order to focus on the critical functions of the company, the Board may constituted such Committees as and when required to ensure smooth functioning of the Company.

The Board has constituted three Committees namely:

1. Audit Committee
2. Risk Oversight Committee
3. Remuneration and Nomination Committee

1). Audit Committee (AC):

This committee is constituted to ensure safe and sound corporate governance and it is vested with necessary powers as defined in its Charter to achieve its objectives. The powers and terms of reference of the Audit Committee are comprehensive and comply with the requirements as set out by Article 131 of the Law of Commercial Enterprise, as well as Article 8 of the National Bank of Cambodia's Prakas B7-08-211 on Governance in Bank and Financial Institutions. The Chairperson of this committee is a

Non-Executive Independent Director who also answers all queries from shareholders at Annual General Meeting.

Members:

The AC consist of not less than 3 members.

The Chairman of the AC is a non-executive, independent Director of the Bank. All the members of the AC are independent of the management of the Company.

- | | |
|-------------------------------|----------|
| 1). Mr. Giang Sovann, | Chairman |
| 2). Mr. Lee Meng Teck Victor, | Member |
| 3). Mr. Toch Choachek, | Member |

Meeting:

The AC meets as frequently as required, but no less than 4 times a year.

2). Risk Oversight Committee (ROC):

This committee includes three members decided by the Board. It is chaired by a person with expertise in finance and banking risk management. The committee undertakes key duties as decided by the Board of Directors and documented in its Terms of Reference, and any such duties delegated to it. The committee is also responsible for monitoring the implementation of risk management policies as defined by the Board. It also plays a key role in giving professional advice to the risk function of the bank with best international practice.

Members:

The Board appoints the ROC Chairperson and the term of office is for three years from the date of appointment. The ROC can be composed of non-executive directors and experts who are not

directors of the Company of whom are considered by the board to be independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgment.

Members:

- | | |
|-------------------------------|----------|
| 1). Mr. Lee Meng Teck Victor, | Chairman |
| 2). Mr. Giang Sovann, | Member |
| 3). Mr. Toch Choachek, | Member |

Meeting:

Meetings are held as and when deemed appropriate, but at least four times a year. The Chairperson of the ROC may convene additional meetings if deemed necessary

3). Remuneration and Nomination Committee (RNC)

This committee is constituted by the Board to meet requirements of Governance to deliver best practice for the company. The Chairperson of this committee is an Independent Director. The committee is responsible for implementing a very good remuneration policy to be consistent with the long-term objectives and corporate values of the company. It also recommends some procedures to select and replace board members and independent individuals who will potentially become committee members. The committee approves the nomination of senior management.

The Committee is appointed by the Board and consists of not less than 3 members and a Secretary of the Committee. The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.

Members:

- | | |
|-------------------------------|----------|
| 1). Mr. Neo Poh Kiat, | Chairman |
| 2). Mr. Lee Meng Teck Victor, | Member |
| 3). Mr. Toch Choachek, | Member |

Meeting:

Meetings shall be held as and when appropriate, but at least twice a year. The Chairperson of the Committee may convene additional meetings if deemed necessary.

MANAGEMENT COMMITTEES:

Five Management Committees will assist the Chief Executive Officer (CEO) in focusing on specific matters, monitoring and tracking an overall company's operation performance and also fulfil their roles and responsibilities delegated by the CEO, report to the CEO on decisions and actions taken, monitor the Company's performance, and make any necessary recommendations on general matters arise in daily business operations.

1. Executive Committee (EXCO)
2. Assets and Liabilities Committee (ALCO)
3. Credit Committee (CC)
4. Procurement Committee (PROCO)
5. Human Resource Committee (HRC)

1). Executive Committee (EXCO):

This committee includes seven members will be permanently invited to every EXCO meeting. This committee is chaired by Chief Executive Officer. The purpose of the Executive Committee is to support the Chief Executive Officer (CEO), in monitoring and tracking an overall company's operations performance and to report progress of day-to-day work

activities from each business unit to CEO and as well as giving advice and approval on general matters arise in daily business operations.

Members:

The EXCO member shall comprise all one-level down from CEO (CEO's direct reports), including:

- 1). Chief Executive Officer
- 2). Chief Business Officer
- 3). Head of Risk Management
- 4). Head of Internal Audit
- 5). Head of Finance
- 6). Head of IT
- 7). Head of Human Resources & Admin

Meeting:

Meetings shall be held as and when appropriate, but at least once a week. The Chairperson of the Committee may convene additional meetings if deemed necessary.

2). Assets and Liabilities Committee (ALCO):

The purpose of the Committee is to monitor all elements of Assets and Liability Management, and of major concern like liquidity, loan to deposit ratio, exposure due to reliance on given deposit categories & specific customers, limits on maximum and minimum maturities for assets & liabilities and sensitivity of interest rates. The Company's interest is to ensure that all elements of assets and liability management are properly disclosed and managed transparently and accurately.

Members:

The ROC will appoint the ALCO Chairperson and the term of office is for three years from the date of

appointment. The ALCO will comprise of the following members:

- | | |
|-------------------------------------|-------------|
| 1). Chief Executive Officer (CEO) | Chairperson |
| 2). Chief Business Officer (CBO) | Member |
| 3). Head of Financial Officer (HoF) | Member |
| 4). Head of Risk Management (HRM) | Member |

Meeting:

Meeting shall be held as and when appropriate, but at least a time per month. The Chairperson of the ALCO may convene additional meetings if deemed necessary.

3). Credit Committee (CC):

The purpose of the Credit Committee is to approve credit guidelines allowed under the Program Governance Framework and credit limit granted for a customers or a group of related customers beyond the signing approving authority limit. In addition, CC is responsible for implementation and monitoring of the credit risk management frameworks and policies in concerning with the company business as whole and ensure the compliance with the Program Governance and Monitoring Framework.

Members:

The CC will comprise of the following members:

- | | |
|-----------------------------------|-------------|
| 1). Head of Risk Management | Chairperson |
| 2). Chief Executive Officer (CEO) | Member |
| 3). Chief Business Officer (CBO) | Member |
| 4). Head of Finance (HOF) | Member |

Meeting:

Meeting should be held as and when appropriate, but at least one time per month. The Chairperson of

the CC may convene additional meetings if deemed necessary.

4). Procurement Committee (PROCO):

The purpose of the PROCO Committee is to seek value for money in all procurement. Value for money is achieved in an open competitive environment in which suppliers can be confident that their proposals will be assessed on merit. It does not automatically mean “lowest prices”; it incorporates and considers fitness for purpose; fair market price; return on investment; whole-of-life costs; timely delivery; post-delivery support; environment sustainability; social responsibility; evidence of previous performance of experience, effective warranty and conformity to law.

Members:

The PROCO Committee will comprise of the following members:

- | | |
|-------------------------------------|-------------|
| 1). Head of Financial (HoF) | Chairperson |
| 2). Chief Executive Officer (CEO) | Member |
| 3). Chief Business Officer (CBO) | Member |
| 4). Head of Risk Management | Member |
| 5). Head of Human Resources & Admin | Member |

Meeting:

Meeting shall be held as and when appropriate, but at least a time per month. The Chairperson of the PROCO may convene additional meetings if deemed necessary.

5). Human Resource Committee (HRC):

The purpose of the HRC is to ensure that the decision making process of internal staff appointment/re-cruitment, promotion, transfer, and salary increment are transparent and fair and advice on staff disciplinary action.

Members:

The committee members should be careful to avoid conflicts of interest that would compromise their judgment, and should excuse themselves from any decision in which there may be conflicts of

interest, whether actual, potential or apparent.

The permanent members consist of:

- | | |
|-------------------------------------|-------------|
| 1). Head of Human Resources & Admin | Chairperson |
| 2). Chief Business Officer (CBO) | Member |
| 3). Head of Finance (HOF) | Member |
| 4). Head of Risk Management (HRM) | Member |
| 5). Senior HR Officer | Secretary |

Meeting:

Meeting shall be held as and when appropriate. The Chairperson of the committee may convene additional meetings if deemed necessary.

Funan's Financial products

Secured Loan

Business Loan



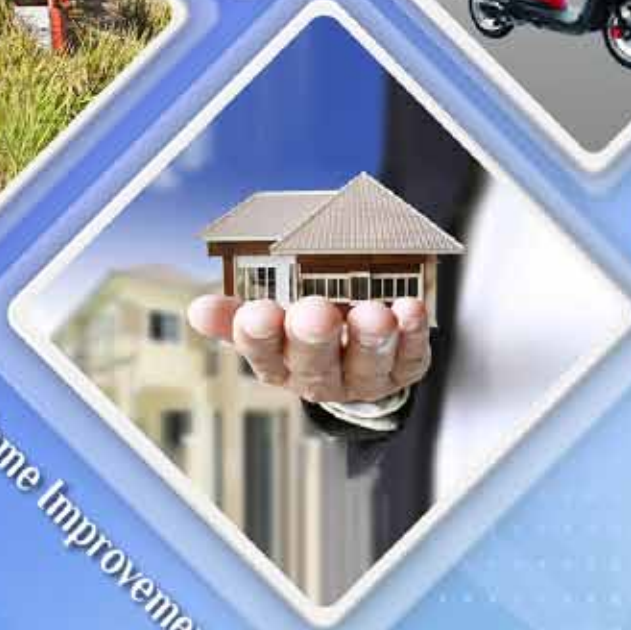
Car/Motorbike Loan



Agriculture Loan



Home Improvement Loan



Risk Management & Compliance

2017, 100% of Funan's Shares have been transferred to Cambodia Post Bank Plc. with technical supports from Cambodia Post Bank Plc. Funan has been reformed following the corporate governance in accordance with regulation; developed Risk Management Framework, new policies, and oversought these implementation frequently by senior management team and Board of Directors to ensure the sustainable transformational process and the development of company. As a result, by the end of 2017 the Non-performing Loan (NPL) decreased to 1.3% and was comparable to the sector. With the reference of independent external audited report witnessed the accuracy and trustfulness of Financial Report, compliancy with law & regulation and acceptable risk management of the company.

Credit Risk Management

To assure well managed on credit risk in a satisfaction level and following the new market target segment of Funan Microfinance Plc., the new credit program has been introduced and approved by the Board of Directors. This credit program is developed to reflect to law & regulatory aspects, risk acceptant level, and introducing cap for portfolio diversification to manage credit exposure. Funan functions credit underwriter team to review and screening loan proposals compliantly with risk acceptant criteria of credit policy. We conducted regular trainings and timely take corrective action the misconduct of staff through the finding report by credit control team. Robust MIS for credit product and customer segments are regularly monitored to determine credit risk management strategies such as credit stress test, Measurement of concentration of risk by customer segment and Risk transition

measurement by customer segment, etc. Loan portfolio prevention methods are also being developed to apply across institutions.

Operational Risk Management

Funan Microfinance PLc. has been building a robust Operational Risk Framework including an Operational Risk Management policy, a loss data collection system, and key risk indicators (KRIs) to monitor risk exposures. In addition, the company has implemented risk and control self-assessment (RCSAs) activities to help constitute a risk culture in operational risk control across Funan. There are on-going RCSA workshops delivered to all functions and branches to enhance Operational Risk Management practices.

Liquidity Risk Management

Funan fully monitors its liquidity position with monitoring metrics such as cash flow analysis, maximum cash outflows, and liquidity stress tests. These practices have been supporting the company in forecasting and reacting smoothly and effectively in normal and stressed scenarios and also help the company maintain a sound liquidity position. Net Open Position was a challenging issue previously, but corrective action has been taken to follow the requirement from NBC after the acquisition.

Compliance

Funan Microfinance PLc. is committed to follow best practices and market standards in areas of accountability, transparency and business ethics in order to promote sustainability. Good governance and corporate social responsibility form an integral part of market standards. At the core of these efforts are integrity issues and the reputation

risk the company faces in its activities. To manage these issues the company assigned Risk Management Department to monitor this.

The compliance program of the company has the following:

a). Legal compliance: Funan Microfinance PLC. has fully adhered to relevant laws and regulation. Funan Microfinance PLC. has created the compliance checklist to evaluate the performance of the company. Risk Management department of the company is the main facilitator and monitoring the implementation of the whole company in term of legal/ regulatory compliance.

b). Whistleblowing: The Company is committed to achieving and maintaining the highest standards of openness, probity and accountability. Either stakeholders or employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. The implementation has

been enforce within the whole company to encourage the company staff to report the significant matters which may include but are not confined to:

- Breach of legal or regulatory requirements;
- Malpractice, impropriety or fraud relating to internal miscarriage of justice; controls, accounting, auditing and financial matters;
- Potential conflict of interest situation;
- Endangerment of the health and safety of an individual;
- Damage caused to the environment;
- Violation of rules of conducts applicable within the Company;
- Improper conduct or unethical behavior;
- Deliberate concealment of any of the above likely to prejudice the standing of the company.

Code of Conduct

This Code of Conduct sets ethical standard for Funan Microfinance Plc. and our employees to embrace and promote aligned to Funan's core values. The principle contained in this Code of Conduct govern employee behavior to act professionally, transparency, integrity, conflict of interest, confidentiality of information, secret commission and bribery/thief, discrimination, money laundry. This Code also provides guideline to assist employees in understanding their obligation and creates the company culture while they are coming from the cross culture.



Organizational Structure



Chairman's Message



The robust economy growth of Cambodia in the last five years around 7.1 percent while the GDP growth rate in 2017 is 6.8 percent and projected similarly in 2018. The economic growth contributed by main sectors including tourism, commerce, construction, garment & textile and agriculture. Even if the exports of clothing and other textile products have moderated, but rising share of non-textile product exports, especially the exports of electrical machinery, equipment and auto parts. Financial sector, which has experienced exceptionally rapid growth in recent years, has shown healthy moderation. Credit growth has slowed, decelerating to 18.2 percent (y/y) in mid-2017, from 25.8 percent in 2016. Bank deposits, however, remained strong, growing at 20 percent (y/y) by mid-2017, reflecting healthy capital inflows and improved confidence in the banking system. Rising foreign currency deposits have contributed to

the expansion of broad money, which grew by 19.7 percent (y/y) by mid-2017, compared with 17.9 percent in end-2016. Poverty reduction continued, driven mainly by income diversification of rural households from remittances, non-agricultural wages and household businesses. Financial Sector plays a very important role in forcing the Cambodian production, service, plantation, and local job creation. Growing on medium income of the people, improving their standard of living, family welfare, and their children education. These great achievements are from Government efforts to keep the country in peace and stability.

With the growth of Cambodia economy, increasing on average income of the local people and the opportunity of financial market, Funan Microfinance Plc. is invested by Cambodia Post Bank Plc. with the

strategic shareholders from Canadia Investment Holding (CIH), Fullerton Financial Holding of Singapore and Cambodia Post Office, officially shares transfer in April 2017. Funan microfinance Plc. targets to the small and medium income generation people both self-employed Mass Market (SEMM) and Salaried Mass Market (SMM).

Presently, Funan Microfinance Plc. is having 51 branches covering the potential areas of Cambodia including city, provinces, and districts. To support and ensure the sustainable growth of Funan Microfinance Plc. with its Vision— to be the best Microfinance Institution (MFI) that enables success and enriches lives of Cambodian people, the Canadia Bank Plc. has been supporting fund and the parents company, Cambodia Post Bank Plc., has been providing technical support, managing, and monitoring Funan's business operations. Funan Microfinance Plc. needs to improve staff productivity through developing knowledge, skill and capability of staff with their roles and responsibilities getting more efficiency and effectiveness then they receive the opportunity to growth with Funan or Parents Company, the Cambodia Post Bank Plc. Enhanc-

ing effective internal control and risk management framework to ensure its business operations compliantly and minimizing loss. Continuing to develop Funan's products and services to fulfill the customer needs, maintaining credit quality.

I would like to thanks the Funan Team, clients, business partners, regulators, lenders, and shareholders for their hard working, cooperating, trusting, and supporting Funan Microfinance Plc. achieving a good result in 2017. I look forward to your continued support in future.

Yours Sincerely,



Neak Oknha Pung Kheav Se

Chairman of the Board of Director.

Chief Executive Officer's Message



With Cambodia economic growth year on year and increase of Gross Domestic Product (GDP) per capita approximately 1,434 dollar in 2017 that is double increase comparing to the last ten years, reflecting to the income generation growth by Cambodian People, enabling financial sector remain strong and healthy. Assets of Banks and Microfinance Institution grew by 20.2 percent (y/y). Introduction of an 18 percent of interest cap in April 2017, credit growth to the private sector decelerated around 18percent comparing the average growth rate 30 percent in the last five years. These credits, 73 percent of financial source is from the local deposit. The non-performing Loan in bank sector is decreased from 2.7 percent in 2016 to 2.3 percent in 2017 and increased from 1.5 percent to 2 percent for

microfinance sector. Banks and microfinance institutions continue to hold satisfactory level of capital and liquidity. The solvency ratio was approximately 23 percent for banks and 22 percent for microfinance deposit-taking institutions, while the liquidity ratio was 139 percent and 172 percent respectively. Credit growth rate is projected by 17 percent in 2018 (Source by NBC).

The robust growth and opportunity in Microfinance sector, Funan has been acquired by Cambodia Post Bank Plc. on April 2017. With the technical assistance from the parents company, Funan has been transformed, reformed the cooperate governance, developed risk management framework, placed to implementation the new policies and

regularly monitoring these implementations by senior management and Boards in order to ensure the smooth and sustainable development. As a result by the end of 2017, the loan outstanding of Funan reached to US\$29 million, the non-performing loan (NPL) decreased to 1.3 percent was comparable to the industry (2 percent). Funan is having its branch networks covering the potential areas countrywide including city provinces and districts. These achievement are contributed from all staff and management in carefully implementing the Funan's strategic plan; and cooperated from all stakeholders.

In the competitive financial market, Funan needs to enhance its quality of products, services, technology and staff capacity building to gain the competitive advantages aligning to its strategic plan of becoming the leading the microfinance in Cambodia.

Particularly in 2018, Funan is having priority action plan as following –1). Staff capacity building for the

successor plan especially in frontline supervisors fulfilling the need of company. 2). Continue to develop the new products to fit with the market target segment essentially, Salaries Mass Market (SMM). 3). Improving the office infrastructures for the security enhancement, operation risk mitigation and gaining truth from clients. 4). Continuing to implement the risk management framework through the risk control self-assessment (RCSA) policy 5). Synergic business cooperation to enlarge business franchises such as payment processing providers, insurance company and other suppliers.

In person and Funan, I would like to thank shareholders, customers, business partners, regulators, lenders and staffs for supporting our business with a remarkable achievement of 2017 and hope that you will continue to support us in the following years.

Yours Sincerely,



Khou Buntry

Chief Executive Officer

Board of Directors



Neak Oknha Pung Kheav Se

Chairman of the Board of Director

Serves as Chairman of Canadia Bank and the Overseas Cambodian Investment Corporation, and is actively involved in the investment and development activities of both companies. A distinguished entrepreneur and respected business leader in Cambodia and Canada, Mr. Pung has served as Chairman, President, CEO and Board Member of several companies, including Oriental Ship Supplies, Oriental Commercial Inc, and has led Canadia Bank's growth since 1991. He used to be a Chairman of the Association of Banks in Cambodia and also serves as President of Cambodia Constructors Association, working closely with industry leaders to guide the development of the banking and construction sectors in Cambodia.

Among the honors and awards Mr. Pung holds a Mahasereyvattanac Award presented by His Majesty, Norodom Sihanouk, King-Father of Cambodia in 2002; and "The Highest National Contribution" medal awarded by Prime Minister Hun Sen, presented by His Majesty, Norodom Sihamoni King of Cambodia in 2012, for the significant contributions he has made and continues to make toward the development of Cambodia.



Mr. Lee Meng Teck Victor

Vice Chairman of the Board of Director

Mr. Lee comes with more than 20 years of experience in retail and commercial banking. He currently heads the SME & Commercial Banking team, and oversees all business-related operations and strategic interventions across the portfolio companies.

Prior to FFH, Mr Lee was Managing Director, Group Head of Group Business Banking in United Overseas Bank, where he was responsible for the Small Business Segment across South East Asia. Before UOB, he was with Standard Chartered Bank - initially as Global Head, SME Deposits & Treasury, and subsequently as Managing Director for SME Banking in Singapore and Taiwan. He left SCB as Managing Director, Consumer Banking, Distribution as well as Preferred Consumer Banking segment in China. Prior to SCB, Mr Lee was from Citibank, as Director of Citi business, Global Consumer Banking in Singapore, and also spent considerable time in corporate banking.



Mr. Neo Poh Kiat

Independent Director

Poh Kiat is currently Managing Director for Advisory Services of Octagon Advisors. Poh Kiat was actively involved in several of our clients' major M & A transactions in the region. Based in Beijing and as Managing Director of Octagon Advisors Shanghai Limited, Poh Kiat has an oversight responsibility for the company's consultancy projects in China.

Prior to joining Octagon Advisors, Poh Kiat was the Senior Vice President and the China Country Officer for Singapore's United Overseas Bank, the country's leading banking group. Based in Hong Kong, Poh Kiat was responsible for UOB's corporate banking relationships in the Greater China region.

Before joining UOB, Poh Kiat held various appointments in Singapore's DBS Bank, with his last held appointment being that of Managing Director and General Manager of DBS Bank's Hong Kong branch. Concurrently, Poh Kiat was also an Executive Director and a member of the Executive Committee of DBS Kwong On Bank, the Supervisory Director of DBS Asia Capital Limited which is the investment banking subsidiary of DBS Bank in Hong Kong. He was instrumental in the setting up of DBS Securities Hong Kong and had served as its Executive Director in the early 90's. Poh Kiat holds a Bachelor of Commerce (Honors) degree from the former Nanyang University, Singapore.



Mr. Giang Sovann

Independent Director

Giang Sovann is the Founder and CEO of Corporate Governance Academy and a Member of the Complaints & Disciplinary Panel, the Public Accountants Oversight Committee, Accounting & Corporate Regulatory Authority (ACRA), Singapore. He is also a Director of a company listed on the Singapore Exchange.

Mr. Giang was the Executive Director of the Singapore Institute of Directors where he also sat on the Organizing Committee of the Singapore Corporate Awards and co-managed the Best Managed Board Award for Singapore listed companies. He is an instructor on the subjects of Director's Duties & Responsibilities, Singapore Exchange Listing Manual and Code of Corporate Governance. He has written many articles on the subject of independent director, internal control and audit, and had served as lead independent director, chairman of audit committee, chairman of board risk committee, member of nominating

committee and remuneration committee of listed company.

Mr. Giang graduated with a Bachelor of Administration degree with Great Distinction from University of Regina, Canada, and qualified as a Chartered Accountant with the Canadian Institute of Chartered Accountants. He is also a Chartered Accountant, Singapore and member of the Singapore Institute of Directors.

Mr. Giang has over 30 years of business and financial management experience in many industries & products including aerospace, Oil & Gas, petro chemical, power generation, cement, coal, computer, CPO, flexible packaging, fresh fruits, real estate, sports facility and F&B, timber, telecommunication, etc. He started his career as a public accountant in Canada and had extensive audit & tax practice experience with a big-4 firm in both Canada and Singapore. After leaving public accounting practice, he served as senior executives of MNC Company, regional conglomerate and Singapore listed companies.



Mr. Toch Chaochek

Director

Mr. Toch has more than 20 years' working experience in Banking and Financial Sector in Cambodia. He served several senior management levels such as Senior Staff and Manager at Credit Division of ACLEDA Bank Plc. before moving to be Head of Credit Department, Head of Operation Department and EVP & Chief Operation Officer of Hatha Kaksekar Micro Finance in charge of Company Business's Strategies, Loan Operational Processes, Loan Portfolio Management, Credit Underwriting, Deposit Mobilization, Products Development and also Branch Channels Supervision. Beside the Banking and Finance experience, he also had 2 years in his first career started with Manufacturing Industry as Marketing Manager.

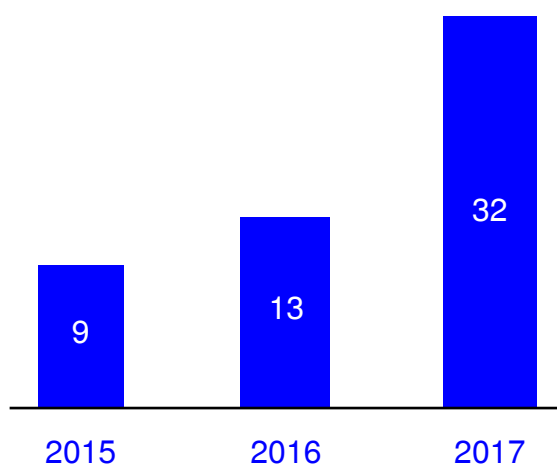
He is currently also a Board of Director of Funan Micro Finance Plc. since the date of acquisition.

he graduated MBA in Finance and Banking in 2006 from University Of Cambodia, BBA in Marketing in 1999 from National University of Management, Bachelor Degree in Public Law in 1999 and also Associated Degree in Professional Law in 1996 from Faculty of Law and Economic Science.

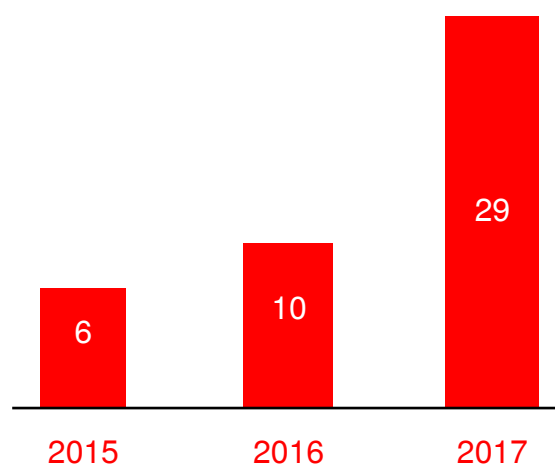
Mr. Toch has also attended numerous executive training courses locally and abroad in field of Banking and Finance which are most related to Leadership, Performance Management, Risk Management...etc.

Summary Financial Performance

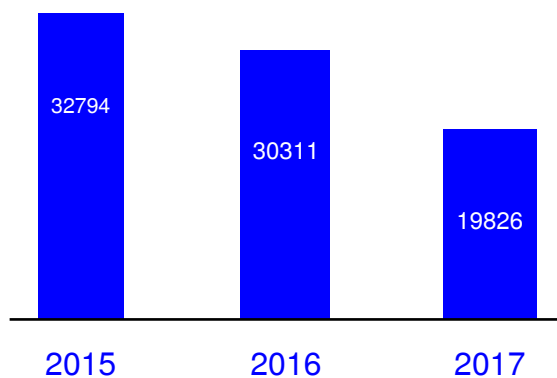
Total Assets (in millions US\$)



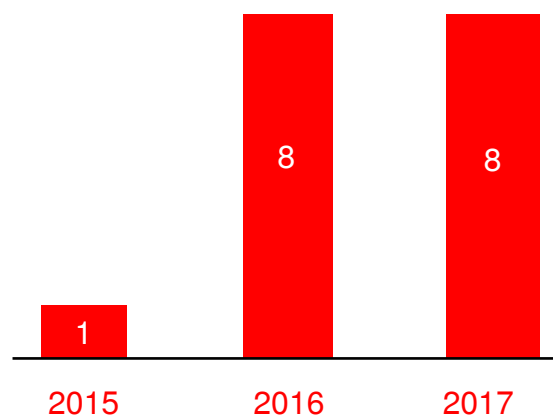
Loan outstanding (in millions US\$)



Number of clients



Total equity (in millions US\$)



Management



1 Mr. Khou Buntry
Chief Executive Officer

5 Mr. Seng Rotha
Head of Finance

2 Mr. Han Bunhon
Chief Business Officer

6 Mr. Phuong Sarun
Head of Risk Management

3 Mr. Meang Chhun Eng
Head of Internal Audit

7 Mr. Sin Leangchhe
HR Manager

4 Mr. Meas Chanratha
Admin Manager

8 Mr. Chhim Visoth
Head of IT

Mr. Khou Buntry

Chief Executive Officer

He had 18 years of track record as finance professional and as a senior management for , Banking Microfinance Institution and International NGOs. Prior to join Funan, Mr. Buntry was Chief Financial Officer for Cambodia Post Bank for 4 years. Mr. Buntry was Finance Director of Hattha Kaksekar Ltd. MFI for 5 years, responsible for all finance & treasury related activities. Prior to Hattha Kaksekar, he spent 2 years as Finance Manager for Room to Read Cambodia, 4 years as Finance Manager for Marie Stopes Cambodia and 2 years as Accountant for Canada Bank.

He graduated MBA in Finance, Charles Sturt University, Australia and BBA in Accounting, National University of Management (Former Faculty of Business).

Mr. Han Bunhon

Chief Business Officer

He had thirteen years' experience in Financial Sectors including 4 years with CP-Bank with various positions as Sales Manager, Branch Manager (Main Branch). Prior to join CP-Bank, his career started with Vision Fund Cambodia MFI from the front line staff as Credit Officer for 2 years, then promoted to be District Branch Manager, Provincial Branch Manager and Senior Provincial Branch Manager supervising

10 District Branches underneath.

He is holding Master Degree in Business Administration and obtained BBA in Accounting and Finance.

Mr. Phuong Sarun

Head of Risk Management

He had 14 years' experience with holding several positions including Operation Department Manager and 2 years as Credit Department Manager with Funan MFI.

Prior to joint Funan, he worked for 1 years as Senior Credit Risk Officer, 2 years as Senior Internal Auditor, 5 years as Internal Auditor, 2 years as Credit Officer with PRASAC MFI.

He graduated Master Degree in Finance, and obtained BBA in Banking & Finance.

Mr. Meang Chhun Eng

Head of Internal Audit

He had 12 years' experience with holding several positions including 4 years as an Internal Audit Department Manager with Funan.

Prior to joint Funan, He worked for 5 years as an Internal Auditor and 3 years as a Credit Officer with PRASAC.

He graduated Master Degree in Finance and obtained BBA in Accounting and Finance.

Mr. Seng Rotha

Head of Finance

He had more than 9 years' experience in banking and financial sector with holding several positions including credit officers, accountants, chief accountants, accountants support staffs' branch online and semi-online, organizing and overseeing budget staff and a primary skills in preparing and monitoring budget plan staff with And ACLEDA Bank Plc.

He is holding Master Degree and obtained BA in accounting .

Mr. Sin Leangchhe

HR Manager

He had ten years' experience in Financial Sectors including two years as RegionaI Manager, a year as senoir Branch Manager, three as Branch Manager with Chamroern Microfinance Plc.

He is holding Master Degree in Business Administration and obtained BBA in Accounting and Finance.

Mr. Chhim Visoth

Head of IT

He had over nine years of experience with education, private companies and financial sectors. He has been a Chief Computer Officer, Chief Executive Officer, Computer Skills Manager, Specialist in Software Development, Senior Software Development Manager, Database Manager and Senior IT Audit Officer with PRASAC MFI.

He holds a Master Degree in Information Technology and obtained a Bachelor of Science in Information Technology.

Mr. Meas Chanratha

Admin Manager

He had over 10 years of experience with education and finance sectors in various positions including Head of Administration Department, Deputy Human Resources and Administration Department, and a lecturer in administrative affairs. Before taking on the role as Administration Manager of Funan Microfinance PLc.

He holds a master's degree in management and obtained a Bachelor's Degree in Accounting at Human Resources University.

Corporate Social Responsibility

In line with the Vision and Mission of Funan Microfinance PLC to improve the living conditions of Cambodian people, the business strategy is integrated into social responsibility activities. And the Credit Program is strictly implemented to ensure Funan's clients are not in over-indebtedness and guarantee their success. We strive to continue our sustainable community development through



the evaluation and management of business operations in order to have a positive impact on the whole society. We support initiatives that generate long-term benefits and benefits for the community. In addition, we support long-term investments to the community by establishing community partnerships and encouraging our staff to engage in voluntary activities. For instance, to see the accident is a key issue cause to many people death and injure, Funans' management and staffs arranged the blood donation.

Financial Education

Funan Microfinance Plc. believes that customer succeed, Funan succeed. Therefore, financial education has been promoted frequently by Funans' staffs. The topic consists of financial literacy, how to diversify sources of income and reducing expense, saving for emergency case. That is the kind of cooperate social responsibility helping people to improve their financial health in accordance to Funan's Vision statement— to be the best Microfinance Institution (MFI) that enable success and enriches lives of Cambodian people.



Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Funan Microfinance Plc. ("the Company") for the year ended 31 December 2017 ("the financial year" or "the year").

Principal activity

The principal activity of the Company is to provide loans and other financial services to local customers through its head office in Phnom Penh and its various provincial and district offices in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2017 were as follows:

	US\$	KHR'000
		(Note 4)
Profit before income tax	75,962	306,659
Income tax expense	(40,716)	(164,370)
Net profit for the year	35,246	142,289

Dividends

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

Reserves and provisions

There were no material movements to or from

reserves and provisions during the financial year other than as disclosed in the financial statements.

Bad and doubtful loans

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any material extent.

Assets

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they might be expected to realise. At the date of this report, the Board of Directors is not aware of any circumstances, which would render the values attributed to the assets in the financial statements of the Company misleading.

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

Change of circumstances

At the date of this report, the Board of Directors is not aware of any circumstances, not otherwise dealt with in this report or the financial statements

of the Company, which would render any amount stated in the financial statements misleading.

Items of unusual nature

The financial performance of the Company for the financial year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

Share capital

On 30 November 2016, Cambodia Post Bank Plc. entered into a sale and purchase agreement with the Company's shareholders to acquire 100% shares of the Company. This was subsequently approved by the National Bank of Cambodia ("NBC") on 4 April 2017. The amendments to the Memorandum and Articles of Association ("MAA") to reflect the change of the shareholders were approved by the Ministry of Commerce on 11 April 2017.

	2017			2016		
	% of ownership	Number of shares	Amount US\$	% of ownership	Number of shares	Amount US\$
CAMBODIA POST BANK PLC.	100%	8,000,000	8,000,000	-	-	-
Mr. Nguon Leng	-	-	-	33.33%	2,666,668	2,666,668
Mr. Eng Kosal	-	-	-	16.67%	1,333,333	1,333,333
Mr. Seng Vannara	-	-	-	16.67%	1,333,333	1,333,333
Mr. Soy Socheat	-	-	-	16.67%	1,333,333	1,333,333
Mr. Eng Visal	-	-	-	16.67%	1,333,333	1,333,333
	100%	8,000,000	8,000,000	100%	8,000,000	8,000,000

The Board of Directors

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

New Board of Directors (appointed on 4 April 2017)

Neak Oknha Pung Kheav Se	Chairman
Mr. Lee Meng Teck Victor	Vice Chairman
Mr. Neo Poh Kiat	Independent Director
Mr. Giang Sovann	Independent Director
Mr. Toch Chaochek	Director

Previous Board of Directors (resigned on 4 April 2017)

Mr. Nguon Leng	Chairman
Mr. Eng Kosal	Director
Mr. Soy Socheat	Director
Mr. Va Dalot	Independent Director
Mr. Ou Sophannarith	Independent Director

Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the

acquisition of shares in or debentures of the Company or any other body corporate.

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

Responsibilities of the Board of Directors in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then

ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Approval of the financial statements

The Board of Directors hereby approves the accompanying financial statements together with the notes thereto as set out on pages 10 to 53, which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

On behalf of the Board of Directors,



Mr. Pung Kheavse

Chairman of the BOD

Phnom Penh, Kingdom of Cambodia

Date: 26 March 2017



Mr. Khou Buntry

Chief Executive Officer

Report of the Independent Auditors

To the shareholder Funan Microfinance Plc.

Opinion

We have audited the financial statements of Funan Microfinance Plc. (“the Company”), which comprise the balance sheet as at 31 December 2017, and the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 10 to 53.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of auditors’ report is the information included in the Report of the Board of Directors as set out on pages 1 to 6, and the annual report which is expected to be made available to

us after that date.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations,

or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the 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 management.
- 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 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd


Nge Huy

Partner

Phnom Penh, Kingdom of Cambodia

Date: 26 March 2017

Balance sheet

Balance sheet As at 31 December 2017

		2017		2016	
	Note	US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
ASSETS					
Cash on hand	5	168,143	678,793	14,795	59,727
Deposits and placements with the NBC	6	404,763	1,634,028	403,422	1,628,615
Deposits and placements with banks	7	1,877,749	7,580,473	1,523,779	6,151,496
Loans to customers	8	28,548,091	115,248,643	9,125,205	36,838,453
Other assets	9	571,661	2,307,796	458,842	1,852,344
Property and equipment	10	190,438	768,798	512,582	2,069,294
Intangible assets	11	171,556	692,572	190,062	767,280
Deferred tax assets	13 (a)	149,852	604,953	74,593	301,132
TOTAL ASSETS		32,082,253	129,516,056	12,303,280	49,668,341
LIABILITIES AND EQUITY					
Liabilities					
Other liabilities	12	875,856	3,535,830	346,304	1,398,029
Current income tax liabilities	13 (b)	61,610	248,720	45,547	183,873
Borrowings	14	22,915,222	92,508,751	3,750,000	15,138,751
Provision for employee benefits	15	111,874	451,636	78,984	318,858
Total Liabilities		23,964,562	96,744,937	4,220,835	17,039,511
Equity					
Share capital	16	8,000,000	32,296,000	8,000,000	32,296,000
Retained earnings		117,691	475,119	82,445	332,830
Total equity		8,117,691	32,771,119	8,082,445	32,628,830
TOTAL LIABILITIES AND EQUITY		32,082,253	129,516,056	12,303,280	49,668,341

The accompanying notes form an integral part of these financial statements.

Income statement

Balance sheet As at 31 December 2017

		2017		2016	
	Note	US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Interest income	17	4,302,600	17,369,596	4,667,489	18,842,653
Interest expense	14(b)	(905,554)	(3,655,721)	-	-
Net interest income		3,397,046	13,713,875	4,667,489	18,842,653
Other operating income	18	1,360,371	5,491,818	352,421	1,422,724
Net operating income		4,757,417	19,205,693	5,019,910	20,265,377
Personnel expenses	19	(2,845,828)	(11,488,608)	(3,040,985)	(12,276,456)
General and administrative expenses	20	(1,541,239)	(6,221,982)	(1,453,573)	(5,868,074)
Allowance for bad and doubtful loans	8	(294,388)	(1,188,444)	(361,572)	(1,459,666)
Profit before income tax		75,962	306,659	163,780	661,181
Income tax expense	13(c)	(40,716)	(164,370)	(17,560)	(70,890)
Net profit for the year		35,246	142,289	146,220	590,291

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2017

	Share	(Accumulated losses)/	
	capital	retained earnings	Total
	US\$	US\$	US\$
At 1 January 2016	1,000,000	(63,775)	936,225
Transfers from subordinated debts	7,000,000	-	7,000,000
Net profit for the year	-	146,220	146,220
As at 31 December 2016	8,000,000	82,445	8,082,445
(KHR'000 equivalent – Note 4)	32,296,000	332,830	32,628,830
At 1 January 2017	8,000,000	82,445	8,082,445
Net profit for the year	-	35,246	35,246
As at 31 December 2017	8,000,000	117,691	8,117,691
(KHR'000 equivalent – Note 4)	32,296,000	475,119	32,771,119

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2017

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		Note 4)		(Note 4)
Cash flows from operating activities				
Profit before income tax	75,962	306,659	163,780	661,181
Adjustments for:				
Allowance for bad and doubtful loans	294,388	1,188,444	361,572	1,459,666
Depreciation and amortisation	313,942	1,267,383	369,889	1,493,242
Gains on disposal of property and equipment	(177,340)	(715,922)	(8,339)	(33,665)
Net interest income	(3,397,046)	(13,713,875)	(4,667,489)	(18,842,653)
Employee benefits expense	16,454	66,425	26,523	107,073
Loan to customer written off	(744,901)	(3,007,165)	-	-
Foreign exchange loss	5,879	23,734	1,915	7,731
	(3,612,662)	(14,584,317)	(3,752,149)	(15,147,425)
Changes in:				
Loans to customers	(18,978,252)	(76,615,203)	(3,376,522)	(13,631,019)
Other assets	181,976	734,637	62,751	253,326
Other liabilities	529,552	2,137,801	83,348	336,476
Net cash used in operations	(21,879,386)	(88,327,082)	(6,982,572)	(28,188,642)
Interest received	3,102,251	12,523,787	4,459,503	18,003,014
Income tax paid	(99,912)	(403,344)	(46,606)	(188,149)
Employee benefits received	16,436	66,353	28,919	116,746
Net cash used in operating activities	(18,860,611)	(76,140,286)	(2,540,756)	(10,257,031)
Cash flows from investing activities				
Statutory deposits with the NBC	-	-	(350,000)	(1,412,950)
Purchase of property and equipment	(58,585)	(236,508)	(185,039)	(747,002)
Purchase of intangible asset	(32,457)	(131,029)	-	-
Proceeds from disposals of property and equipment	295,090	1,191,277	12,346	49,841
Net cash generated from financing activities	204,048	823,740	(522,693)	(2,110,111)

for the year ended 31 December 2017

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		Note 4)		(Note 4)
Cash flows from financing activities				
Repayments of borrowings	(3,750,000)	(15,138,750)	-	-
Proceeds from borrowings	22,915,222	92,508,752	3,341,359	13,489,066
Net cash generated from financing activities	19,165,222	77,370,002	3,341,359	13,489,066
Net increase in cash and cash equivalents	508,659	2,053,456	277,910	1,121,924
Cash and cash equivalents at beginning of the year	1,541,996	6,225,038	1,264,086	5,119,548
Currency translation differences	-	-	-	(16,434)
Cash and cash equivalents at end of the year (Note 23)	2,050,655	8,278,494	1,541,996	6,225,038

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2017

1. Reporting entity

Funan Microfinance Plc. ("the Company"), a licensed micro-finance institution, was incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce as a public limited liability company under registration number Co. 2133 KH/2015 dated 17 June 2015. The Company obtained its license to operate as a micro-finance institution from the National Bank of Cambodia ("NBC") on 11 August 2015.

All assets and liabilities of Cambodian Association Development ("CAD") were transferred to the Company on 11 August 2015 at carrying value. This transfer was formally approved by the NBC on 24 December 2015.

On 30 November 2016, Cambodia Post Bank

Plc. entered into a sale and purchase agreement with the Company's shareholders to acquire 100% shares of the Company. This was subsequently approved by the NBC on 4 April 2017. The amendments to the MAA to reflect the change of the shareholders were approved by the MoC on 11 April 2017.

The Company operates in 51 offices located in Phnom Penh and 18 provinces, namely, Takeo, Prey Veng, Pursat, Kampong Cham, Kampot, Siem Reap, Svay Rieng, Monduliri, Kampong Speu, Kampong Chhnang, Kampong Thom, Banteay Meanchey, Battambang, Preah Vichea, Kratie, Stung Treng, Ratanak Kiri, and Preah Sihanouk.

The principal activity of the Company is to provide loan to improve living standards in term of rural development through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia.

The Company's head office is located at No. 95, Preah Monivong Blvd, Corner of Street 118, Sangkat Monorom, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2017, the Company had 638 employees (31 December 2016: 733 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards and the guidelines of the NBC relating to the preparation and presentation of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Transactions in currencies other than US\$ are

translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

(d) Use of estimates and judgments

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

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

Key accounting estimates and judgments applied in the preparation of the financial statements include estimates of recoverable amounts for loans and advances which have a separate accounting policy stated in Note 3(g).

3. Significant accounting policies

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

(a) Financial instruments

The Company's financial assets and liabilities include cash and cash equivalents, loans and receivables, deposits, other receivables, borrowings and payables. The accounting policies for the

recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Basis of aggregation

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

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(d) Deposits and placements with the NBC

Deposits and placements with the NBC, including statutory deposit, are stated at cost.

Statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentages of minimum share capital as required by the NBC.

(e) Deposits and placements with banks

Deposits and placements with banks are stated at cost.

(f) Loans to customers

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

(g) Allowance for bad and doubtful loans

In compliance with the NBC guidelines, a specific allowance for bad and doubtful loans was made on loans that are identified as non-performing, as follows:

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

In addition, the Company made a general allowance for bad and doubtful loans as at balance sheet date which is over the mandatory specific level of provisioning as required by the NBC above at the rate of 1% (31 December 2016: 1%) of total outstanding loans.

New NBC Credit Risk Grading and Provision on Impairment not yet adopted:

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and

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

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	≤14 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%

(g) Allowance for bad and doubtful loans (continued)

Classification	Number of days past due	Allowance
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

Based on Section 1 of the Circular No. B7-018-001, the Company decided to adopt prospectively all requirements of Prakas No. B7-017-344 including the calculation of provision on impairment in its 2018 financial statements.

Management is assessing the potential impact on its financial statements resulting from the application of this new credit risk grading and provision on impairment.

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

(h) Interest in suspense

Interest in suspense represents interest on non-performing loans, that is recorded as a provision rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivable.

(i) Other assets

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

3. Significant accounting policies (continued)

(j) Property and equipment

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.
- (ii) Depreciation of property and equipment is charged to the income statement using straight-line method based on the estimated useful lives of the individual assets as follows:

Leasehold improvements	3 years
Motor vehicles	3 years
Office equipment	3 years
Computers	3 years
Furniture and fittings	3 years

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

(k) Intangible assets

Intangible assets consist of computer software license and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software license is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on the straight-line method over 5 years.

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

(l) Impairment

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair

value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

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

(m) Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalised and amortised over the period of the borrowings using the straight-line method.

(n) Subordinated debts

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, if otherwise, it is treated as equity. The subordinated debts which are approved by the NBC are included as a Tier II line item in the calculation of the Company’s net worth in accordance with the guidelines of the NBC.

Subordinated debts are stated at cost.

(o) Provision

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Provision for employee benefits

The Company provides its employees upon completion of probationary period with pension benefits, being a defined contribution plan. The Company and its employee contributes fund on a monthly basis at a percentage of 1.5% of the latest basic salary of employee.

The employee benefits will be paid 100% to an employee upon retirement age, death, or permanent disability. If an employee is terminated of employment with the Company, he/she would be entitled to only the contribution made by them under the plan. If an employee resign before retirement age, he/she would be entitled to the following portion of provident fund:

	Benefit received
Number of working years	under the plan
Less than or equal 3 years	Only the contribution made by the employee
Less than or equal 4 years	50% of the contribution made by the Company plus the contribution made by the employee

Less than or equal 5 years	70% of the contribution made by the Company plus the contribution made by the employee
More than 5 years	100% of the contribution made by the Company plus the contribution made by the employee

The contribution made by the Company is charged to the income statement and the liability was recognised in the balance sheet in respect of this employee benefit obligations at the end of the reporting period on an accruals basis based on the past services served by employee.

(q) Income and expense recognition

Interest income on loans is recognised on an accruals basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding. Loan fee income is recognised as other operating income when the loan is disbursed to customers. The loan fee income is calculated using the principal and fee rate.

Expenses are recognised on an accruals basis.

(r) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised as a component of shareholders' equity, in which case it is also disclosed as a component of shareholders' equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to permit the realisation of the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Related parties

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

any individual considered to be a related party.

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

4. Translation of Khmer Riel into United States Dollars

The financial statements are stated in the United States Dollars. The translations of United States Dollars amounts into the Khmer Riels are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR 4,037 (2016: US\$1 to KHR4,037) published by the NBC on 31 December 2017. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

5. Cash on hand

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Head office	7,038	28,412	6,138	24,779
Branches	161,105	650,381	8,657	34,948
	168,143	678,793	14,795	59,727
The above amounts are analysed by currency as follows:				
US Dollars	73,282	295,839	2,767	11,170
Khmer Riel	94,861	382,954	12,028	48,557
	168,143	678,793	14,795	59,727

Notes to the financial statements (continued)

for the year ended 31 December 2017

6. Deposits and placements with the NBC

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Statutory deposit (*)	400,000	1,614,800	400,000	1,614,800
Current accounts	4,763	19,228	3,422	13,815
	404,763	1,634,028	403,422	1,628,615

(*) This represents capital guarantee deposit maintained with the NBC in compliance with Prakas No.

B7-00-006 on the Licensing of Micro-Finance Institutions, the amounts of which are determined at 5% of the Company's registered share capital. The statutory deposits on registered share capital is refundable when the Company voluntarily liquidates and has no deposit liabilities.

The statutory deposit placed with the NBC earns interest at the rate of 0.2% per annum (2016: 0.2% per annum).

7. Deposits and placements with banks

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Savings accounts	798,298	3,222,729	1,522,394	6,145,905
Current accounts	1,079,451	4,357,744	1,385	5,591
	1,877,749	7,580,473	1,523,779	6,151,496

Deposits and placements with banks are analysed as follows:

(a) By currency:

US Dollars	1,781,246	7,190,890	146,406	591,041
Khmer Riel	96,503	389,583	1,377,373	5,560,455
	1,877,749	7,580,473	1,523,779	6,151,496

(b) By interest rate (per annum):

	2017	2016
Savings accounts	0.015% - 2.5%	0.015% - 0.25%
Current accounts	0% - 2%	-

8. Loans to customers

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Individual loans	27,868,128	112,503,633	7,013,178	28,312,200
Group loans	618,204	2,495,690	2,686,778	10,846,523
Staff loans	241,843	976,320	49,967	201,717
	28,728,175	115,975,643	9,749,923	39,360,440
	28,728,175	115,975,643	9,749,923	39,360,440
Allowance for bad and doubtful loans:				
- General allowance	(88,804)	(358,502)	(88,804)	(358,502)
- Specific allowance	(91,280)	(368,498)	(535,914)	(2,163,485)
	(180,084)	(727,000)	(624,718)	(2,521,987)
	28,548,091	115,248,643	9,125,205	36,838,453

The movements in allowance for bad and doubtful loans were as follows:

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
At 1 January	624,718	2,521,987	261,231	1,054,590
Allowance for the year	294,388	1,188,444	361,572	1,459,666
Written off	(744,901)	(3,007,165)	-	-
Foreign exchange loss	5,879	23,734	1,915	7,731
At 31 December	180,084	727,000	624,718	2,521,987

Loans to customers are further analysed as follows:

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
(a) By maturity:				
Within 1 month	90,069	363,609	479,082	1,934,054
> 1 to 3 months	205,547	829,793	290,233	1,171,671
> 3 to 12 months	3,032,453	12,242,013	4,124,337	16,649,948
1 to 4 years	25,305,391	102,157,863	4,856,271	19,604,767
More than 5 years	94,715	382,365	-	-
	28,728,175	115,975,643	9,749,923	39,360,440
(b) By currency:				
US Dollars	19,965,030	80,598,826	4,014,410	16,206,174
Khmer Riel	8,763,145	35,376,817	5,735,513	23,154,266
	28,728,175	115,975,643	9,749,923	39,360,440
(c) By economic sector:				
Agriculture	5,063,250	20,440,340	3,116,524	12,581,407
Trade and commerce	5,463,290	22,055,302	1,532,903	6,188,329
Services	1,408,945	5,687,911	505,598	2,041,099
Transportation	651,960	2,631,963	59,940	241,978
Construction	10,239,475	41,336,761	712,503	2,876,375
Household/family	5,596,302	22,592,271	1,088,487	4,394,222
Consumer	-	-	328,775	1,327,265
Others	304,953	1,231,095	2,405,193	9,709,765
	28,728,175	115,975,643	9,749,923	39,360,440
(d) By residency status:				
Residents	28,728,175	115,975,643	9,749,923	39,360,440
(e) By relationship:				
External customers	28,486,332	114,999,323	9,699,956	39,158,723
Staff loans	241,843	976,320	49,967	201,717
	28,728,175	115,975,643	9,749,923	39,360,440

Loans to customers are further analysed as follows:

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
(f) By performance:				
Standard loans:				
Secured	27,041,066	109,164,783	6,288,553	25,386,889
Unsecured	1,311,923	5,296,233	2,592,715	10,466,790
Sub-standard loans:				
Secured	175,261	707,529	212,230	856,774
Unsecured	17,514	70,704	52,763	213,004
Doubtful loans:				
Secured	131,798	532,069	105,256	424,919
Unsecured	25,929	104,675	29,383	118,619
Loss loans:				
Secured	18,534	74,822	77,253	311,870
Unsecured	6,150	24,828	391,770	1,581,575
	28,728,175	115,975,643	9,749,923	39,360,440

(g) By interest rate (per month):

Individual loans	1.10% - 5.00%	1.19% - 6.00%
Group loans	1.50% - 4.30%	2.57% - 5.00%
Staff loans	0.83% - 1.70%	1.30% - 1.70%

With effective from 1 April 2017, the annual interest rate charge of all new loans and restructured loans are capped at 18% as required by the NBC Prakas B7-017-109.

(h) By location:

Phnom Penh	1,277,226	5,156,161	361,433	1,459,105
Provincial offices	10,553,995	42,606,478	3,583,794	14,467,778
District offices	16,896,954	68,213,004	5,804,696	23,433,557
	28,728,175	115,975,643	9,749,923	39,360,440

Loans to customers are further analysed as follows:

9. Other assets

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Accrued interest receivable	347,289	1,402,006	337,794	1,363,674
Less: Interest in suspense	-52,494	-211,918	-129,808	-524,035
Accrued interest receivable – net	294,795	1,190,088	207,986	839,639
Deposits	142,194	574,037	185,725	749,772
Prepayments	131,330	530,179	25,094	101,304
Amount due from shareholder	-	-	40,000	161,480
Others	3,342	13,492	37	149
	571,661	2,307,796	458,842	1,852,344

Notes to the financial statements (continued)

for the year ended 31 December 2017

10. Property and equipment

	Leasehold improvements	Motor vehicles	Office equipment	Computer	Furniture and fittings	Total	
2017	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
							(Note 4)
Cost							
At 1 January 2017	98,849	821,047	73,046	271,610	42,936	1,307,488	5,278,328
Additions	7,555	-	2,630	19,910	28,490	58,585	236,508
Disposals	-	(673,441)	-	(992)	(3,260)	(677,693)	(2,735,847)
Write-off	(94,772)	(1,167)	-	-	-	(95,939)	(387,306)
At 31 December 2017	11,632	146,439	75,676	290,528	68,166	592,441	2,391,683
Less: Accumulated depreciation							
At 1 January 2017	24,077	569,993	23,126	149,556	28,154	794,906	3,209,034
Depreciation for the year	33,301	149,728	18,385	50,631	10,934	262,979	1,061,646
Disposals	-	(596,669)	-	(992)	(2,720)	(600,381)	(2,423,737)
Write-off	(54,478)	(1,023)	-	-	-	(55,501)	(224,058)
At 31 December 2017	2,900	122,029	41,511	199,195	36,368	402,003	1,622,885
Carrying amounts							
At 1 January 2017	74,772	251,054	49,920	122,054	14,782	512,582	2,069,294
At 31 December 2017	8,732	24,410	34,165	91,333	31,798	190,438	768,798

Notes to the financial statements (continued)

for the year ended 31 December 2017

10. Property and equipment

	Leasehold improvements	Motor vehicles	Office equipment	Computer	Furniture and fittings	Land	Work in progress	Total
2016	US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Cost								(Note 4)
At 1 January 2016	1,870	872,587	24,791	217,629	35,596	45,886	335,838	6,193,553
Additions	94,416	-	32,137	9,409	7,340	-	41,737	747,002
Transfer	2,563	-	16,118	50,486	-	-	(69,167)	-
Disposals	-	(51,540)	-	(5,914)	-	-	-	(231,942)
Reclassification	-	-	-	-	-	(45,886)	(308,408)	(1,430,285)
At 31 December 2016	98,849	821,047	73,046	271,610	42,936	-	-	5,278,328
Less: Accumulated depreciation								
At 1 January 2016	229	413,401	9,257	91,493	19,712	-	-	2,156,129
Depreciation for the year	23,848	205,149	13,869	62,953	8,442	-	-	1,268,672
Disposals	-	(48,557)	-	(4,890)	-	-	-	(215,767)
At 31 December 2016	24,077	569,993	23,126	149,556	28,154	-	-	3,209,034
Carrying amounts								
At 1 January 2016	1,641	459,186	15,534	126,136	15,884	45,886	335,838	4,037,424
At 31 December 2016	74,772	251,054	49,920	122,054	14,782	-	-	2,069,294

Notes to the financial statements (continued)

for the year ended 31 December 2017

11. Intangible assets

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	278,140	1,122,851	278,140	1,122,851
Addition	32,457	131,029	-	-
At 31 December	310,597	1,253,880	278,140	1,122,851
Less: Accumulated amortisation				
At 1 January	88,078	355,571	32,450	131,001
Amortisation for the year	50,963	205,737	55,628	224,570
At 31 December	139,041	561,308	88,078	355,571
Carrying amounts				
At 31 December	171,556	692,572	190,062	767,280

12. Other liabilities

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Payable to supplier of				
software license – Optimal 9	85,200	343,952	127,800	515,929
Amounts due to shareholder (*)	94,698	382,296	-	-
Unearned income	462,967	1,868,998	87,329	352,547
Accrued expenses	145,533	587,517	25,793	104,126
Other tax payables	9,312	37,593	41,756	168,569
Others	78,146	315,474	63,626	256,858
	875,856	3,535,830	346,304	1,398,029

(*) Amounts due to shareholder are unsecured, interest free and are repayable on demand.

Notes to the financial statements (continued)

for the year ended 31 December 2017

13. Income tax

(a) Deferred tax assets

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Deferred tax assets	149,852	604,953	74,593	301,132
Deferred tax assets are attributable to the following:				
Property and equipment	21,578	87,110	26,168	105,640
Provision for employee benefits	11,187	45,162	7,898	31,884
Allowance for bad and doubtful loans	21,616	87,264	23,061	93,098
Unearned processing fee	92,593	373,798	17,466	70,510
Currency translation difference	2,878	11,619	-	-
	149,852	604,953	74,593	301,132

The movements of net deferred tax assets are as follows:

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
At 1 January	74,593	301,132	-	-
Credited to the income statement	75,259	303,821	74,593	301,132
At 31 December	149,852	604,953	74,593	301,132
(b) Current income tax liabilities				
At 1 January	45,547	183,873	-	-
Recognised in profit or loss	110,105	444,494	92,153	372,022
Under provision in respect of prior year	5,870	23,697	-	-
Income tax paid	(99,912)	(403,344)	(46,606)	(188,149)
At 31 December	61,610	248,720	45,547	183,873

(c) Income tax expense

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Current income tax	110,105	444,494	92,153	372,022
Under provision in re- spect of prior year	5,870	23,697	-	-
Deferred tax	(75,259)	(303,821)	(74,593)	(301,132)
	40,716	164,370	17,560	70,890
The reconciliation of income tax expense computed at the statutory tax rate to the income tax expense shown in the income statement is as follows:				
Profit before income tax	75,962	306,659	163,780	661,181
Tax computed at a rate of 20%				
	15,192	61,332	32,756	132,236
Effect of non-deductible expenses	19,654	79,341	8,796	35,510
Under provision in re- spect of prior year	5,870	23,697	-	-
Effects of deferred tax assets not	-	-	(23,992)	(96,856)
	40,716	164,370	17,560	70,890

In accordance with Law on Taxation, the Company has an obligation to pay corporate income tax at the rate of 20% of taxable profit.

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

14. Borrowings

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Former Shareholders:				
Mr. Nguon Leng	-	-	1,250,000	5,046,251
Mr. Eng Kosal	-	-	625,000	2,523,125
Mr. Seng Vannara	-	-	625,000	2,523,125
Mr. Soy Socheat	-	-	625,000	2,523,125
Mr. Eng Visal	-	-	625,000	2,523,125
	-	-	3,750,000	15,138,751
Related party Canadia Bank Plc.	22,915,222	92,508,751	-	-
	22,915,222	92,508,751	3,750,000	15,138,751

During the year, the Company recorded interest expenses of US\$905,554 (2016: Nil).

(a) By Currency:

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
US Dollars	10,750,000	43,397,750	3,750,000	15,138,751
Khmer Riels	12,165,222	49,111,001	-	-
	22,915,222	92,508,751	3,750,000	15,138,751

(b) By annual interest rates:

US Dollars	7.00% - 8.50%	Nil
Khmer Riels	8.00% - 8.50%	Nil

(c) By maturity:

Within one month	-	-	3,750,000	15,138,751
Between 1 month to 3 months	990,835	4,000,001	-	-
Between 3 months to 12 months	990,835	4,000,001	-	-
From 1 year to 5 years	20,933,552	84,508,749	-	-
	22,915,222	92,508,751	3,750,000	15,138,751

15. Provision for employee benefits

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Pension funds liabilities	111,874	451,636	78,984	318,858
The movements of provision for employee benefits are as follows:				
At 1 January	78,984	318,858	23,542	95,039
Additions during the year				
- Employee contribution	16,436	66,353	28,919	116,746
- Employer contribution	16,454	66,425	26,523	107,073
At 31 December	111,874	451,636	78,984	318,858
Breakdown of the provision for employee benefits is as follows:				
Employee share	55,937	225,818	39,492	159,429
Company share	55,937	225,818	39,492	159,429
	111,874	451,636	78,984	318,858

16. Share capital

Following the sale and purchase agreement dated 30 November 2016, the Company submitted the amendment of Memorandum and Articles of Association ("MAA") to reflect the change in shareholders and the Board of Directors. The amendment of the MAA was acknowledged by the Ministry of Commerce on 11 April 2017.

16. Share capital (continued)

The revised shareholding structure is as following:

	2017			2016		
	% of ownership	Number of shares	Amount US\$	% of ownership	Number of shares	Amount US\$
CAMBODIA POST BANK PLC.	100%	8,000,000	8,000,000	-	-	-
Mr. Nguon Leng	-	-	-	33.33%	2,666,668	2,666,668
Mr. Eng Kosal	-	-	-	16.67%	1,333,333	1,333,333
Mr. Seng Vannara	-	-	-	16.67%	1,333,333	1,333,333
Mr. Soy Socheat	-	-	-	16.67%	1,333,333	1,333,333
Mr. Eng Visal	-	-	-	16.67%	1,333,333	1,333,333
	100%	8,000,000	8,000,000	100%	8,000,000	8,000,000

17. Interest income

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Loans to customers	4,290,771	17,321,843	4,666,077	18,836,953
Deposits and placements with banks	11,829	47,753	1,412	5,700
	4,302,600	17,369,596	4,667,489	18,842,653

18. Other operating income

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Loan processing fees	993,224	4,009,645	145,616	587,852
Gains on disposals of property and equipment	177,340	715,922	8,339	33,665
Foreign exchange gain	-	-	42,574	171,871
Loan losses recovered	17,555	70,870	42,439	171,326
Others	172,252	695,381	113,453	458,010
	1,360,371	5,491,818	352,421	1,422,724

19. Personnel expenses

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Staff salaries and bonuses	2,793,092	11,275,712	2,976,848	12,017,535
Employee benefits	16,454	66,425	26,523	107,073
Training	16,102	65,004	11,706	47,257
Others	20,180	81,467	25,908	104,591
	2,845,828	11,488,608	3,040,985	12,276,456

20. General and administrative expenses

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Depreciation and amortisation	313,942	1,267,383	369,889	1,493,242
Rental expense	406,452	1,640,847	365,576	1,475,830
Fuel	129,900	524,406	136,090	549,395
Professional services and licenses	43,425	175,307	84,037	339,257
Office supplies and equipment	72,339	292,033	70,572	284,899
Utilities expenses	58,763	237,226	62,458	252,143
Repairs and maintenance	96,137	388,105	81,704	329,839
Telecommunication charges	82,186	331,785	78,616	317,373
Transportation	50,501	203,873	50,674	204,571
Printing & forms expenses	14,158	57,156	24,622	99,399
Publicity expenses	9,324	37,641	16,418	66,279
Other tax expense	152,076	613,931	40,012	161,528
Conferences/convention expenses	12,801	51,678	12,651	51,072
Bank charge	46,946	189,521	11,935	48,182
Board of Directors related expenses	-	-	841	3,395
Foreign exchange loss				
Other expenses	37,908	153,034	47,478	191,670
	1,541,239	6,221,982	1,453,573	5,868,074

21. Related party transactions and balances

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Board of Directors related expenses	-	-	841	3,395
Interest on Borrowings	905,554	3,655,721	-	-
Payment of tax reassessment on behalf by shareholders	55,964	225,927	-	-
Key management compensation:				
Salaries and other benefits	224,065	904,551	186,323	752,186
Contribution fund expenses	3,162	12,766	2,795	11,283

Related party balances are disclosed in Notes 12 and 14.

22. Commitments and contingencies

(a) Operating lease commitments

These operating leases mainly relate to the office rental, which is renewable upon mutual agreement. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Within 1 year	383,889	1,549,760	358,382	1,446,788
2 to 5 years	244,308	986,271	661,000	2,668,457
Over 5 years	-	-	336,820	1,359,742
	628,197	2,536,031	1,356,202	5,474,987

(b) Taxation contingencies

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

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

23. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Cash on hand	168,143	678,793	14,795	59,727
Deposits and placements with the NBC	4,763	19,228	3,422	13,815
Deposits and placements with banks	1,877,749	7,580,473	1,523,779	6,151,496
	2,050,655	8,278,494	1,541,996	6,225,038

24. Financial risk management

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

(a) Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers and deposits and placements with banks. The credit risk management is carried out by the Company's credit committee.

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy, and credit approval processes and procedures implemented to ensure compliance with the NBC guidelines. Customer with more than one account is subject to stringent and careful review and assessment. The Company closely monitors concentration of credit risk by industries. Additional criteria for loan disbursement are also imposed for some specific risk areas.

(i) Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flow. The credit committee is responsible for approving loans to customers.

(ii) Risk limit control and mitigation policies

The Company operates and provides loans to individuals or small-medium entrepreneurs 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:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

(iii) Impairment and allowance policies

The Company is required to follow the mandatory credit classification and allowance in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and allowance. Refer to Note 3(g) for detail.

(iv) Exposure to credit risk

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

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Credit exposure relating to on-balance sheet assets:				
Loans to customers (Note 8)	28,728,175	115,975,643	9,749,923	39,360,440
Deposits and placements with the NBC (Note 6)	4,763	19,228	3,422	13,815
Deposits and placements with banks (Note 7)	1,877,749	7,580,473	1,523,779	6,151,496
Other assets	298,137	1,203,580	248,023	1,001,268
	30,908,824	124,778,924	11,525,147	46,527,019

The above table represents a worst case scenario for credit risk exposure to the Company as at 31 December 2017 and 2016, without taking into account any collateral held or other credit enhancement attached.

Loans to customers

	2017		2016	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Neither past due nor impaired	28,215,579	113,906,292	8,696,380	35,107,286
Past due but not impaired	137,410	554,724	184,888	746,393
Individually impaired	375,186	1,514,627	868,655	3,506,761
	28,728,175	115,975,643	9,749,923	39,360,440

For the purpose of loan allowance, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the NBC's requirements. The total allowance for bad and doubtful loans is US\$180,084 (31 December 2016: US\$624,718), which represents the specific allowance required by the NBC and additional allowance for the loan losses.

Neither past due nor impaired

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

Past due but not impaired

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days, unless other information is available to indicate otherwise.

Individually impaired

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

In compliance with the NBC guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(g).

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Past due 30-60 days	72,710	293,530	73,119	295,181
Past due 60-90 days	50,475	203,768	83,455	336,908
Past due 90-180 days	79,668	321,620	219,164	884,765
Past due 180-360 days	152,508	615,675	268,467	1,083,801
Past due over 360 days	19,825	80,034	224,450	906,106
	375,186	1,514,627	868,655	3,506,761

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

Deposits and placements with National Bank of Cambodia and banks

The Company deposits short-term excess liquidity with NBC and other banks leading to counter party risk exposure. The Company manages counter party risk exposure by performing due diligence on individual counter parties, having counterparty limits.

(v) Repossessed collateral

During the year, the Company did not obtain any assets by taking possession of collateral held as security (2016: nil).

(b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

(c) Market risk

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

(i) Foreign currency exchange risk

The Company operates in Cambodia and transacts in KHR and US\$ and is exposed to currency risks, primarily with respect to US\$.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

Concentration of currency risk

The aggregate amounts of financial assets and liabilities, by currency denomination, are as follows:

	US\$ equivalents		Total
As at 31 December 2017	US\$	KHR	US\$
Financial assets			
Cash on hand	94,861	73,282	168,143
Deposits and placements with the NBC	2,801	1,962	4,763
Deposits and placements with banks	1,781,246	96,503	1,877,749
Loans to customers	19,965,030	8,763,145	28,728,175
Other assets *	197,472	100,665	298,137
Total financial assets	22,041,410	9,035,557	31,076,967
Financial liabilities			
Borrowings	10,750,000	12,165,222	22,915,222
Provision for pension fund	111,874	-	111,874
Other liabilities *	296,337	29,094	325,431
Total financial liabilities	11,158,211	12,194,316	23,352,527
Net financial asset/(liability) position	10,883,199	(3,158,759)	7,724,440
As at 31 December 2016			
Total financial assets	4,678,377	7,261,565	11,939,942
Total financial liabilities	3,995,518	-	3,995,518
Net financial asset position	682,859	7,261,565	7,944,424

* Amounts excluded non-financial assets/liabilities.

(c) Market risk (continued)

(ii) Interest rate risk

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

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

(ii) Interest rate risk (continued)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
As at 31 December 2017	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets							
Cash on hand	-	-	-	-	-	168,143	168,143
Deposit and placements with the NBC	-	-	-	-	-	4,763	4,763
Deposits and placements with banks	1,877,749	-	-	-	-	-	1,877,749
Loans to customers	90,069	205,547	3,032,453	25,305,391	94,715	-	28,728,175
Other assets	-	-	-	-	-	298,137	298,137
	1,967,818	205,547	3,032,453	25,305,391	94,715	471,043	31,076,967
Financial liabilities							
Borrowings	-	990,835	990,835	20,933,552	-	-	22,915,222
Provision for pension fund	-	-	-	-	-	111,874	111,874
Other liabilities	84,528	-	-	-	-	240,903	325,431
	84,528	990,835	990,835	20,933,552	-	352,777	23,352,527
Maturity gap	1,883,290	(785,288)	2,041,618	4,371,839	94,715	118,266	7,724,440

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
As at 31 December 2017	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets							
Cash on hand	-	-	-	-	-	14,795	14,795
Deposit and placements with the NBC	-	-	-	-	-	3,422	3,422
Deposits and placements with banks	1,523,779	-	-	-	-	-	1,523,779
Loans to customers	473,383	274,224	4,056,845	4,945,471	-	-	9,749,923
Other assets	-	-	-	-	-	248,023	248,023
	1,997,162	274,224	4,056,845	4,945,471	-	266,240	11,539,942
Financial liabilities					-		
Borrowings	-	-	-	-	-	3,750,000	3,750,000
Provision for pension fund	-	-	-	-	-	78,984	78,984
Other liabilities	-	-	-	-	-	166,534	166,534
	-	-	-	-	-	3,995,518	3,995,518
Maturity gap	1,997,162	274,224	4,056,845	4,945,471	-	(3,729,278)	7,544,424

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The Company does not have variable-rate instruments. Therefore, cash flow sensitivity analysis is not prepared.

(d) Liquidity risk

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

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.

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings, including instalment due.

24. Financial risk management (continued)

(d) Liquidity risk (continued)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2017							
Financial assets							
Cash on hand	-	-	-	-	-	168,143	168,143
Deposit and placements with the NBC	-	-	-	-	-	4,763	4,763
Deposits and placements with banks	1,877,749	-	-	-	-	-	1,877,749
Loans to customers	90,069	205,547	3,032,453	25,305,391	94,715	-	28,728,175
Other assets	298,137	-	-	-	-	-	298,137
	2,265,955	205,547	3,032,453	25,305,391	94,715	172,906	31,076,967
Financial liabilities							
Borrowings	-	990,835	990,835	20,933,552	-	-	22,915,222
Provision for pension fund	-	-	-	-	-	111,874	111,874
Other liabilities	84,528	-	-	85,200	-	155,703	325,431
	84,528	990,835	990,835	21,018,752	-	267,577	23,352,527
Maturity gap	2,181,427	(785,288)	2,041,618	4,286,639	94,715	(94,671)	7,724,440

24. Financial risk management (continued)

(d) Liquidity risk (continued)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
As at 31 December 2017	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets							
Cash on hand	-	-	-	-	-	14,795	14,795
Deposit and placements with the NBC	-	-	-	-	-	3,422	3,422
Deposits and placements with banks	1,523,779	-	-	-	-	-	1,523,779
Loans to customers	473,383	274,224	4,056,845	4,945,471	-	-	9,749,923
Other assets	208,023	-	-	-	-	40,000	248,023
	2,205,185	274,224	4,056,845	4,945,471	-	58,217	11,539,942
Financial liabilities							
Borrowings	-	-	-	-	-	3,750,000	3,750,000
Provision for pension fund	-	-	-	-	-	78,984	78,984
Other liabilities	-	-	-	127,800	-	38,734	166,534
	-	-	-	127,800	-	3,867,718	3,995,518
Maturity gap	2,205,185	274,224	4,056,845	4,817,671	-	(3,809,501)	7,544,424

24. Financial risk management (continued)

(d) Liquidity risk (continued)

Off-balance sheet items

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as disclosed in Note 22.

(e) Capital management

(i) Regulatory capital

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

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

The NBC requires all licensed deposit-taking micro-finance institutions to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdictions. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

(f) Fair values

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, and market prices are not available for a significant proportion of the Company's financial assets and liabilities, the fair values, therefore, have not been presented.

Unsecured Loan

Consumer Loan products



Air-conditionair



Television



Computer



Refrigerator



Mobile Phone



Branches Network

- 1 Head Office Branch**
#95, Monivong Blvd Conner (118),
Sangkat Monorom, Khan 7 Makara, Phnom Penh.
Tel: (855-89) 882 222
E-mail: br0002@funan.com.kh
- 2 Khan Dangkor Branch**
National Road 3, Phum Tuek Thia,
Sangkat Krang Pong Ro, Khan Dangkaeo, Phnom Penh
Tel: (855-10) 888 840
E-mail: br0036@funan.com.kh
- 3 Khsach Kandal District Branch**
Phum Preak Tameak, Preak Tameak Commune,
Khsach Kandal District, Kandal Province.
Tel: (855-69) 888 857
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- 4 Ponhea Lue District Branch**
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- 5 Koh Thom District Branch**
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Tel: (855-69) 841 111
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- 6 Kampong Speu Province Branch**
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Tel: (855-10) 888 852
E-mail: br0018@funan.com.kh
- 7 Bor Seth District Branch**
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- 8 Takeo Province Branch**
#90, National Road 2, Phum Lory, Sangkat Roka Krong,
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- 9 Bati District Branch**
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Trapeang Sab Commune, Bati District, Takeo Province
Tel: (855-69) 888 802
E-mail: br0017@funan.com.kh
- 10 Tramkak District Branch**
National Road 25, Phum Angk Tasaom, Angk Tasaom
Commune, Tram Kak District, Takeo Province
Tel: (855-10) 888 837
E-mail: br0035@funan.com.kh
- 11 Kirivong District Branch**
National Road 2, Phum Kampong,
Preah Bat Choan Chum Commune,
Kiri Vong District, Takeo Province
Tel: (855-10) 888 849
E-mail: br0021@funan.com.kh
- 12 Prey Veng Provincail Branch**
Phum 5, Sangkat Kampong Leav, Krong Prey Veng,
Prey Veng Province.
Tel: 099 308 888,
E-mail: br0010@funan.com.kh
- 13 Svay Antor District Branch**
No 432 Svay Antor1 Village , Svay Antor Commune,
Svay Antor District, Prey Veng Province
Tel: (855-69) 308 888
E-mail: br0010@funan.com.kh
- 14 Kampongtrabek District Branch**
National Road 1, Phum Poan Voat, Prasat Commune,
Kampong Trabaek District, Prey Veng Province
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- 15 Kampong Cham Province Branch**
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Veal Vong, Krong Kampong Cham,
Kampong Cham Province
Tel: (855-69) 208 888
E-mail: br0012@funan.com.kh
- 16 Srey Santhor District Branch**
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Srei Santhor District, Kampong Cham Province
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- 17 Ba Theay District Branch**
National Road 6, Phum Ph'ay, Ph'ay Commune,
Bathay District, Kampong Cham Province
Tel: (855-69) 538 888
E-mail: br0004@funan.com.kh
- 18 Prey Chhor District Branch**
National Road 7, Phum Sleng, Chreyvien Commune,
Prey Chhor District, Kompong Cham Province
Tel: (855-10) 888 857
E-mail: br0023@funan.com.kh
- 19 Stueng Trang District Branch**
Phum Thnottasay, Preak Kak Commune,
Stueng Trang District, Kampong Cham Province
Tel: (855-10) 888 804
E-mail: br0029@funan.com.kh
- 20 Pornheakrek District Branch**
National Road 8, Phum Pou Srok, Kaeng Kang Commune,
Ponhea Kraek District, Tboung Khmum Province
Tel: (855-10) 888 861
E-mail: br0026@funan.com.kh
- 21 Kampot Province Branch**
#54, Road 33, Phum Sovann Sakor, Sangkat Kampong Kandal,
Krong Kampot, Kampot Province.
Tel: (855-69) 888 856
E-mail: br0013@funan.com.kh
- 22 Chhouk District Branch**
National Road 3, Phum Chheu Teal, Chhouk Commune,
Chhouk District, Kampot Province
Tel: (855-10) 888 802
E-mail: br0030@funan.com.kh
- 23 Banteay Meas District Branch**
National Road 31, Phum Prey Krala Khang Lech, Tuk Meas
Khang Lech Commune, Banteay Meas District, Kompot Province
Tel: (855-10) 888 850
E-mail: br0020@funan.com.kh
- 24 Kampong Thom Province Branch**
National Road 6, Phum Acha Leak, Sangkat Acha Leak,
Krong Stung Sen, Kompong Thom Province
Tel: (855-10) 888 856
E-mail: br0022@funan.com.kh
- 25 Baray District Branch**
National Road 6A, Phum Prey Tatrav, Ballangk Commune,
Baray District, Kompong Thom Province.
Tel: (855-69) 378 888
E-mail: br0008@funan.com.kh
- 26 Stoung District Branch**
National Road 6, Phum Kampong Kdei, Kampong Chen Tboung
Commune, Stoung District, Kampong Thom Province
Tel: (855-69) 341 111
E-mail: br0049@funan.com.kh
- 27 Kampong Chhnang Province Branch**
H 6, National Road 5, Group1, Phum Ti Prambel,
Sangkat Khsam, Krong Kampong Chhnang,
Kompong Chhnang Province
Tel: (855-10) 888 860
E-mail: br0019@funan.com.kh
- 28 Kampong Tralach District Branch**
National Road 5, Phum Chrak Romiet, Ou Ruessei Commune,
Kampong Tralach District, Kampong Chhnang Province
Tel: (855-69) 328 888
E-mail: br0009@funan.com.kh
- 29 Sihanouk Province Branch**
National Road No.4, Phum 3, Sangkat 3, Krong Preah Sihanouk,
Preah Sihanouk Province.
Tel: (855-81) 888 841
E-mail: br0051@funan.com.kh
- 30 Prey Nob District Branch**
National Road 4, Phum Somrong Kraom, Somrong Commune,
Prey Nob District, Preah Sihanouk Province
Tel: (855-10) 888 894
E-mail: br0034@funan.com.kh

31 Svay Rieng Province Branch

Phum Chong Preaek, Sangkat Svay Rieng,
Krong Svay Rieng, Svay Rieng Province
Tel: (855-10) 888 852
E-mail br0018@funan.com.kh

38 Banteay Meanchey Provincail Branch 45

#2, National Road 6, Group1, Phum Tarangbal,
Sangkat Kompong Svay, Krong Serei Soaphoan,
Banteay Meanchey Province.
Tel: (855-10) 8888 14
E-mail: br0031@funan.com.kh

45 Sotnikum District Branch

National Road 6, Phum Dam Daek Thmei, Dam Daek Commune,
Sotr Nikom District, Siem Reap Province
Tel: (855-69) 861 111
E-mail: br0047@funan.com.kh

32 Pursat Province Branch

#148, National Road # 5, Phum Monche,
Sangkat Prey Nih, Krong Pursat, Pursat Province
Tel: (855-69) 318 888
E-mail: br0011@funan.com.kh

39 Kratie Province Branch

Phum Trapaing Pring, Sangkat Kratie,
Krong Kratie, Kratie Province.
Tel: (855-81) 888 864
E-mail: br0043@funan.com.kh

46 Stung Treng Province Branch

Road 57, Phum Spean Thma, Sangkat Stung Treng,
Krong Stung Treng, Stung Treng Province
Tel: (855-69) 941 111
E-mail: br0045@funan.com.kh

33 Krakor District Branch

National Road 5, Phum Samrong, Kbal Trach Commune,
Krakor District, Pursat Province
Tel: (855-69) 851 111
E-mail: br0048@funan.com.kh

40 Chhloung District Branch

Phum Chrouy Thma Kraom, Chhloung Commune,
Chhloung District, Kratie Province
Tel: (855-10) 888 865
E-mail: br0024@funan.com.kh

47 Preah Vihear Province Branch

Road Phsa Chas, Phum Kouk Beng, Sangkat Kampong
Pranak, Krong Preah Vihear, Preah Vihear Province
Tel: (855-10) 888 870
E-mail: br0038@funan.com.kh

34 Bakan District Branch

National Road 5, Phum Ou Ta Paong,
Ou Ta Paong Commune, Bakan District, Pursat Province
Tel: (855-10) 888 871
E-mail: br0040@funan.com.kh

41 Snoul District Branch

Phum Kbal Snuol, Snuol Commune, Snuol District,
Kratie Province
Tel: (855-81) 8888 20
E-mail: br00444@funan.com.kh

48 Rattanakiri Province Branch

#094, Road 70, Phum Thmei, Sangkat Labansiek,
Krong Banlung, Ratanak Kiri Province
Tel: (855-69) 201 111
E-mail: br0046@funan.com.kh

25 Battambang Province Branch

#298, Road 57, Group 10, Phum Totl Ta Ek,
Sangkat Totl Ta Ek, Krong Battambang, Battambang Province
Tel: (855-10) 888 819
E-mail: br00323@fujian.com.kh

42 Siem Reap Province Branch

Siem Reap Province Branch
National Road No 6, Phum Banteay Chas, Sangkat
Sla Kram, Krong Siem Reap, Siem Reap Province
Tel: (855-69) 518 888
E-mail: br0014@funan.com.kh

49 Mondulkiri Province Branch

Monduliri Province Branch
Phum Chamkar Tae, Sangkat Spean Meanchey,
Krong Saen Monourom, Mondul Kiri Province.
Tel: (855-10) 888 854
E-mail: br0018@funan.com.kh

36 Maung Russey District Branch

National Road 5, Phum Pou Muoy, Kear Commune,
Moung Ruessei District, Battambang Province.
Tel: (855-10) 888 859
E-mail: br0027@funan.com.kh

43 Kralanh District Branch

Phum Kampong Thkov Muoy, Kampong
Thkov Commune, Kralanh District, Siem Reap Province.
Tel: (855-10) 8888 73
E-mail: br0028@funan.com.kh

50 Khan Saensokh Brachh

#15, Samdach Monireth Blvd (217), Phum Thmey,
Sangkat Steung Meanchey, Khan Meanchey, Phnom Penh.
Tel: 069 69 2222.
E-mail: br0002@funan.com.kh

37 Thma Koul District Branch

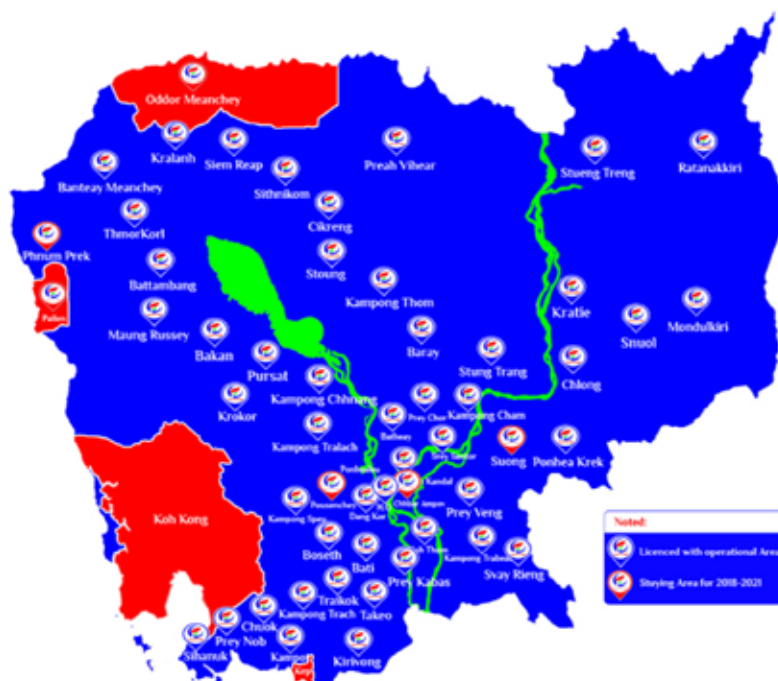
National Road 5, Phum Thma Koul Cheung, Ta Meun Commune, Thma Koul District, Battambang Province.
Tel: (855-10) 888 834
E-mail: br0033@funan.com.kh

44 Chi Kraeng District Branch

National Road 6, Group 6, Phum Thmei,
Kouk Thlok Kraom Commune, Chi Kraeng District,
Siem Reap Province
Tel: (855-10) 888 841
E-mail: br0042@funan.com.kh

51 Khan Chhbar Ampoy Branch

#168B, St 351, Phum Ta Ngov, Sangkat Nirouth,
Khan Chhbar Ampov, Phnom Penh.
Tel: 093 368 888,
E-mail: br0003@funan.com.kh



Existing Branch Footprint

51 branches

- PNP City: 4
- Provincial Branch: 18
- District Branch: 29

Total staff: 661 (Sales staff: 335)



អង្គហិរញ្ញវត្ថុ អន្តរជាតិ

ហ្វុនាន មីក្រូហិរញ្ញវត្ថុ ភីអិលស៊ី

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