



ហ្វុណាន មីក្រូហិរញ្ញវត្ថុ ភីអិលស៊ី

富南小額信貸公司 FUNAN Microfinance Plc.

2
0
1
8



ANNUAL REPORT



TABLE OF CONTENT

01 CORPORATE PROFILE

- FUNAN History
- Vision, Mission and Core Values
- Corporate Governance
- Risk Management & Compliance
- Code of Conduct

02 LEADERSHIP

- Organizational Structure
- Chairman's Message
- Chief Executive Officer's Message
- Board of Directors
- Executive Management

03 SOCIAL RESPONSIBILITY

- Corporate Social Responsibility
- Financial Education

04 AUDITED FINANCIAL STATEMENTS

- Report of the Board of Directors
- Independent Auditor's Report
- Balance Sheet
- Income Statement
- Statement of Change in Equity
- Statement of Cashflow
- Note to Financial Statements
- Summary Financial Performance

05 BRANCH NETWORK CONTACT

- Top Branches & Staff Performance
- Products and Services
- Branch Network and Contact

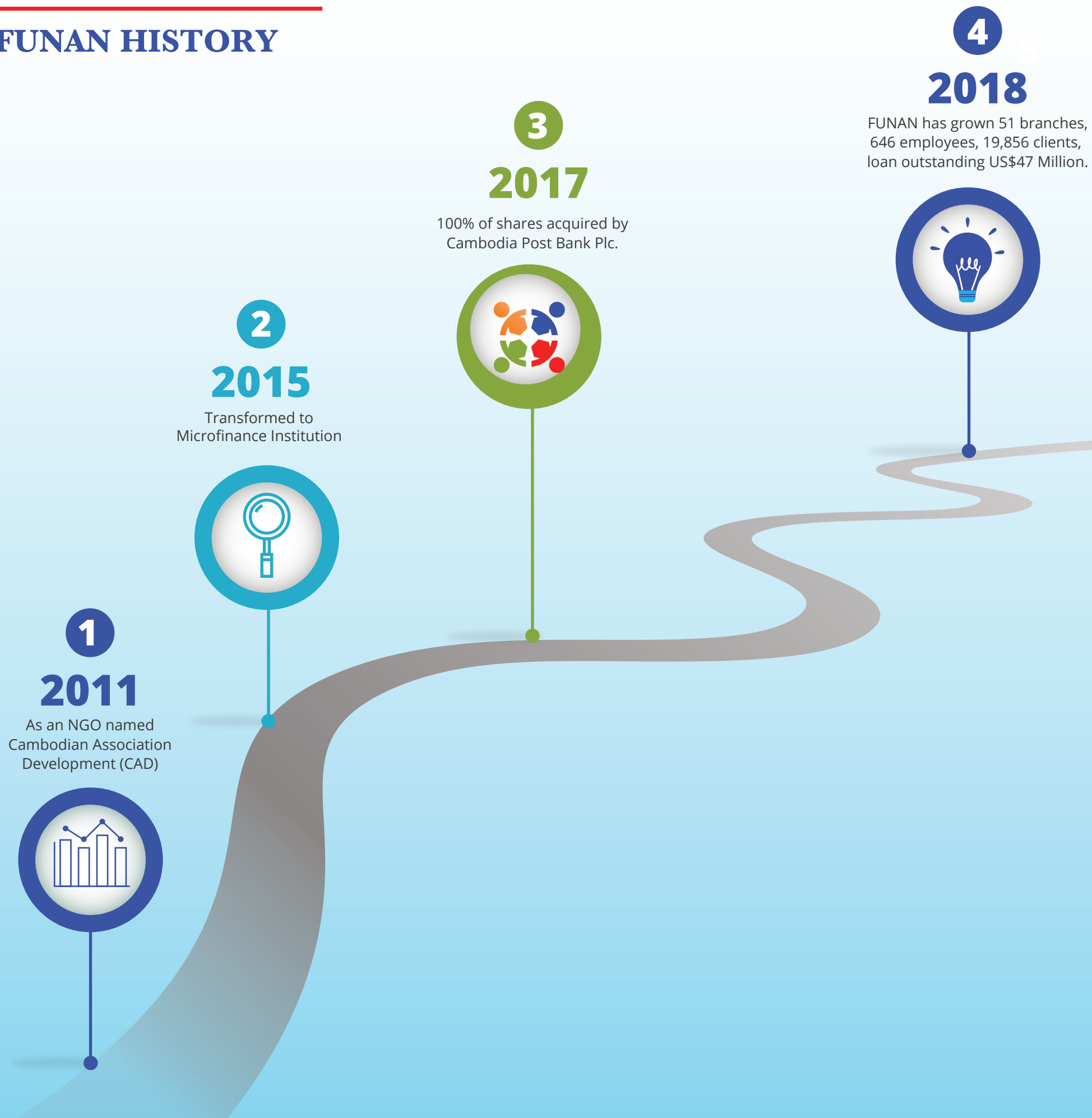


01

CORPORATE PROFILE

FUNAN History
Vision, Mission and Core Values
Corporate Governance
Risk Management & Compliance
Code of Conduct

FUNAN HISTORY



1 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.

2 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.

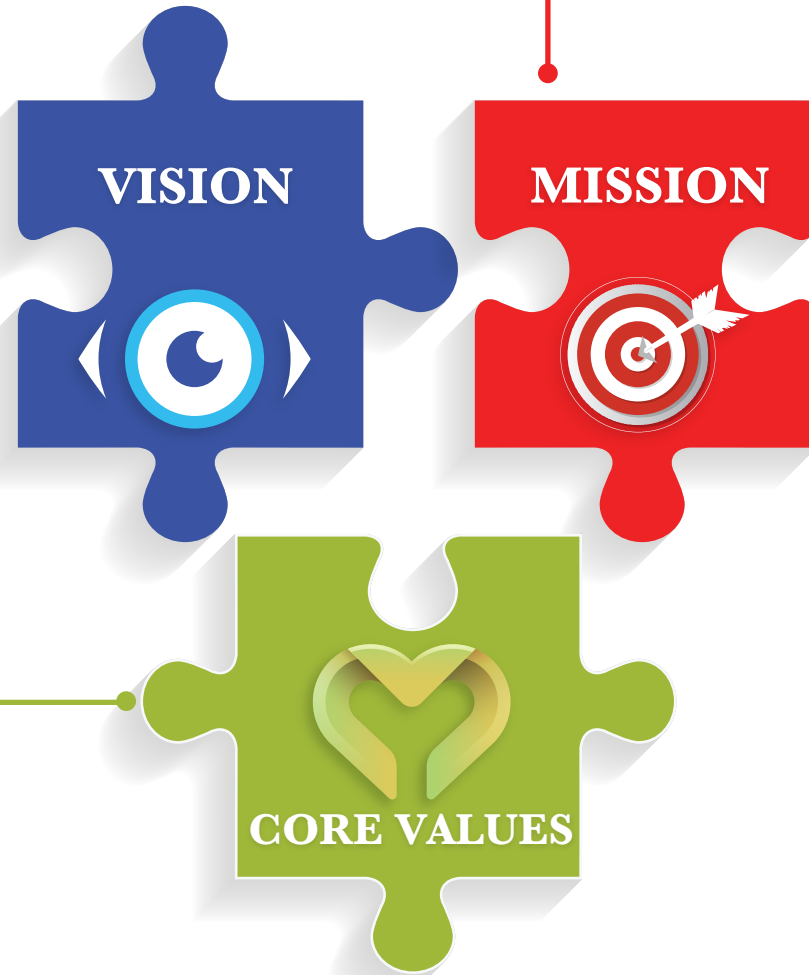
3 On May 12, 2017, Funan organized an official shares transfer event attended from new and existing shareholders, authorities, staff and management, other national and international distinguished guests hold at City Hall, Koh Pich. During the year of acquisition in 2017, Funan Microfinance Plc. has been transformed and defined new target market segment compliment to the target market of its parents company, the Cambodia Post Bank Plc.

4 By today (End of 2018)—Funan is having 51 branches, 646 employees, 19,856 clients, and the loan outstanding were increased to US\$47 Million.

VISION, MISSION, CORE VALUES

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

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



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 everything 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 gotten approval from National Bank of Cambodia (NBC), the central bank, on this appointment; and this party submits direct report to the board (iii) Head of Risk Management is reporting directly to Risk Oversight Committee of Board level (iv) management committees which are responsible for various day to day running aspects of the Institution (v) various codes of conduct, whistle blower policies that are in place. (vi) 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

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.

- Mr. Giang Sovann Chairman
- Mr. Teo Meng Poh Philip Member
- 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 Institution 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:

- Mr. Teo Meng Poh Philip Chairman
- Mr. Giang Sovann Member
- 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:

- Mr. Neo Poh Kiat Chairman
- Mr. Teo Meng Poh Philip Member
- 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

Seven 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)
6. Operational Risk Management Committee (ORMC)
7. Customer Complaint Handling Committee (CCHC)

CORPORATE GOVERNANCE

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, 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) Chairman
2. Chief Business Officer (CBO) Member
3. Head of Finance (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

Members:

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 Finance (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 / recruitment, 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.

6. Operational Risk Management Committee (ORMC)

The Operational Risk Management Committee (ORMC) is chaired by Head of Risk Management. The purposes of this committee is to Implement and maintaining a

robust operational risk management for the Company. Regularly, monitoring and assessing Business or Function level operational risk profile and provide summary or associated mitigation actions to ORMC. Reviewing and improving Risk Control Self-Assessment (RCSA) programs to ensure an effective Operational Risk Management (ORM) framework.

Members:

The permanent committee members consist of:

1. Head of Risk Management (HRM) Chairperson
2. Chief Executive Officer (CEO) Member
3. Chief Business Officer (CBO) Member
4. Head of Finance (HOF) Member
5. Head of Human Resources & Admin Member
6. Head of Internal Audit Member
7. Head of Information & Technology Member

7. Customer Compliance Handling Committee (CCHC)

The Customer compliance handling committee (CCHC) is created to implement and maintain an effective Complaint Handling Policy for the Company. To oversee, monitor, evaluate and recommend all aspects of customer perceptions, complaint and customer satisfaction as well as service provided to customers.

Members:

The permanent committee members consist of:

1. Head of Risk Management (HRM) Chairperson
2. Chief Executive Officer (CEO) Member
3. Chief Business Officer (CBO) Member
4. Head of Human Resource And Admin Member
5. Legal Officer and Compliance Secretary

RISK MANAGEMENT

In 2017, 100 percent of Funan's shares has been transferred to Cambodia Post Bank Plc. With the technical supports from Cambodia Post Bank Plc., Funan has been reformed the corporate governance in accordance with regulation; developed Risk Management Framework, created new policies. These have been monitored the implementations frequently by senior management team and Board of Directors to ensure the sustainable transformational process and development of company. After Risk Management Framework and policies have been placed in to implementation, especially in 2018, the senior management team was taking more efforts on internal control enforcement through implementing of Risk Control Self-Assessment (RCSA), building risk culture across the company, providing regular refreshment and training all staffs to ensure the well awareness and compliancy.

As a result, by the end of 2018, the Non-Performing Loan (NPL) was 1.19 percent comparable to the sector. On other hand, in 2018, we hosted the regulator on-site visit from National Bank of Cambodia to review FUNAN's daily operation, the prudential policies and other compliances; we received few recommendations for the enhancement. The external audit report certifies our reliable financial report, compliancy with law and regulation and the acceptable level of risk management for FUNAN.

CREDIT RISK MANAGEMENT

To assure well-managed on credit risk in a satisfactory level and enhancing market target segment of Funan Microfinance Plc., the renewal credit program has been reviewed and approved by the Board of Directors annually. 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 to follow 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.

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. Independent function of legal and compliance 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.



02

LEADERSHIP

Organizational Structure

Chairman's Message

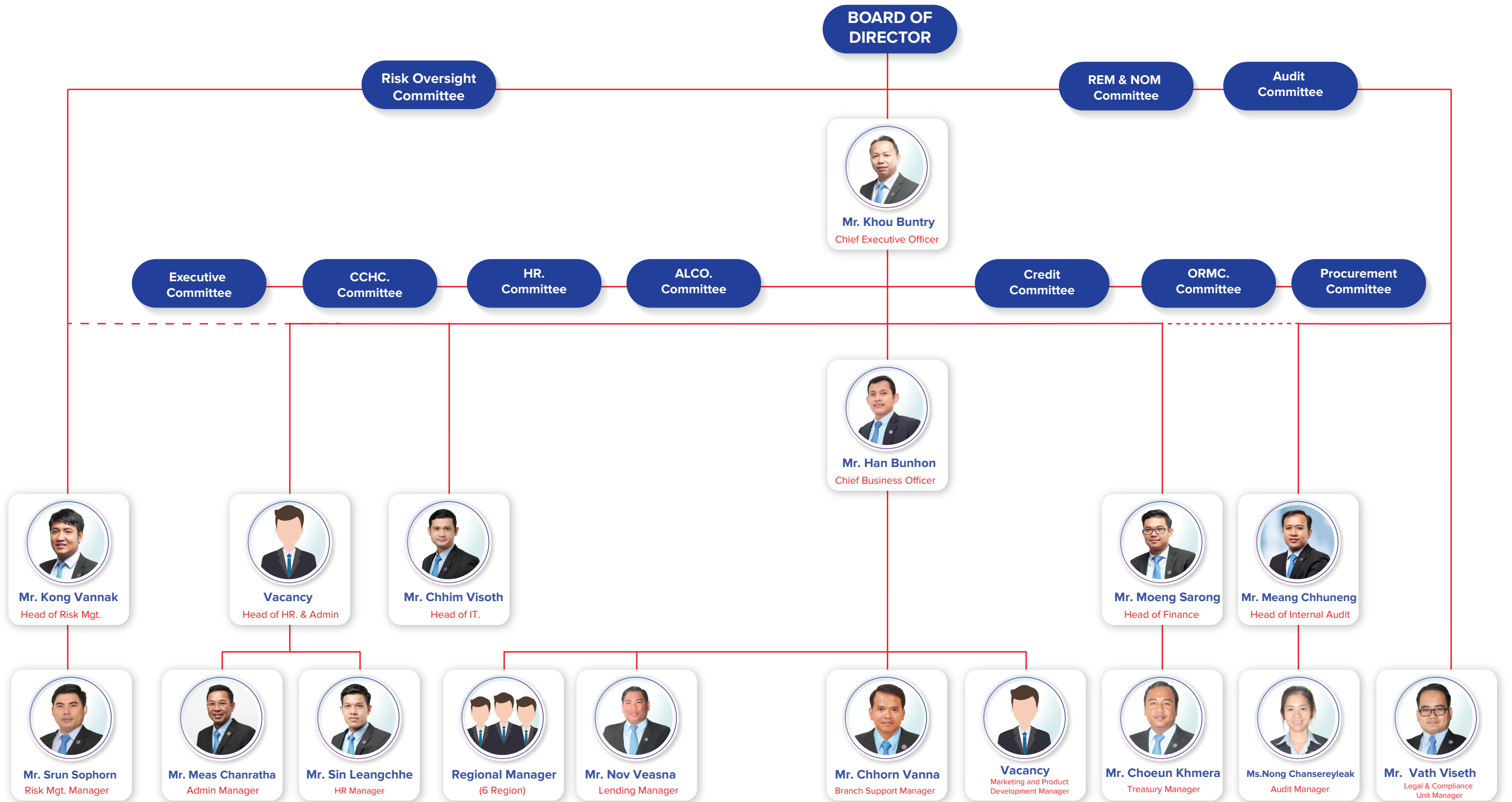
Chief Executive Officer's Message

Board of Directors

Executive Management



ORGANIZATIONAL STRUCTURE



MESSAGE FROM CHAIRMAN

In line with economic growth and the country stability, 2018 has been one of the most prosperous year in terms of business growth for FUNAN Microfinance both in asset size and profitability, while it is in the second year after the acquisition.

Over the past two decades, Cambodia's growth rate has been slightly over 7 percent. Remarkably, in 2016, Cambodia graduated from its status as a least developed country became a lower-middle-income country and expected to be upper middle-income economy by 2030 and a high-income country by 2050. The real GDP growth in 2018 is 7.1 percent and projected to be maintained at 7 percent by 2019. Political stability, peace, the inflow of foreign direct investment, and regional integration have been the driving forces of Cambodia's growth.

Economic growth remains strong, driven primarily by robust expansion in consumption and exports. Domestic demand has been boosted by higher wage growth and larger public investments. At the same time, strong external demand has boosted exports of garment and footwear products, which increased 16.1 percent (y/y) during the first half of 2018—a two year high—from 8.3 percent at the end of 2017. Tourist arrivals during the first six months of 2018, a 13.6 percent increase (y/y), compared with 11.8 percent in 2017, driven by a surge in tourist arrivals by air from China. Capital inflows, mainly comprising foreign direct investment (FDI) continue to increase. Vibrant construction activity continues to be financed by rising FDI inflows and domestic credit. FDI is estimated to have increased by 14.3 percent (y/y) during the first six months of 2018. About 90 percent of the inflows (excluding those to the financial sector) have originated from China and are directed toward the construction and real estate, agriculture, and garment sectors. Rising disposable income remains the main driver of domestic demand— increase consumption & construction. Motor vehicle import increased 81.4 percent in the first semester of 2018. Credit continue to moderate growth, credit to GDP rose 20 percent in 2018 (June) from 73 percent by the end of 2017. Credit in Cambodia banking sector is expected by the central bank to accelerated 17.1 percent in 2019.

The European Union market accounts for more than a third of Cambodia's key exports, which are garment and footwear products. Therefore, losing EBA preferences, which currently provide Cambodia full duty-free and quota-free access to the EU for all their exports with the exception of arms and armaments, will likely slow Cambodia's export growth, and negatively impact its labor market in the short term, however, the government are already come up the appropriate actions in order to stabilize and minimize the impacts. With peace, stability and development, Cambodia still boost economic growth around 7 percent (y/y).

While FUNAN's parent company shareholders are from Canadia Investment Group, Fullerton Financial Holding (FFH), and Cambodia post office, the state own company, FUNAN nurtures ties with local regulators and all levels of authority. With a strategic partnerships within the parent company and other investment groups establish and cultivate the business ecosystem for the mutual benefits and create value proposition to their customer segment. Notably, Funan Microfinance Plc. is invested by Cambodia Post Bank Plc. and 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). 51 branches covering all potential areas of Cambodia including city, provinces, and districts—FUNAN is reaching to where it is underserved especially rural area. Currently, 62 percent of its clients are in the rural areas, 35 percent is in provincial urban and only 4 percent are in the city urban.

To support and ensure the sustainable growth of Funan Microfinance Plc., Canadia Investment Group (CIH) will continue to support funding source; and the parent company, the Cambodia Post Bank Plc., still continue its technical assistance to this Microfinance.

For the performance record 2018, it is much appreciated with the financial aspects including, gross loan portfolio growth is 63 percent from USD28.7 Million in 2017 to USD47 Million in 2018. The year to date total asset is USD49 Million, 54 percent growth. The current year net profit after payable tax is USD1.7 Million. With FUNAN's

risk management capability, the percentage of non-performing loan is decelerated from 1.3 percent in 2017 to 1.19 percent in 2018.

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 fruitful result in 2018. 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

MARKET OVERVIEW

The number of Microfinance Institution (MFI) increases to 74 by the end of 2018 from 64 in 2016. There are 43 commercial banks, 14 specialized banks, 7 MDIs and 74 MFIs. In addition, there are 16 payment service institutions that are double increased from 2016. The share of MDIs assets and credit gradually increased to 14 percent and 18 percent respectively. The contribution of MFIs has also increased. However, due to their small sizes and operations, their share of credit and assets remained 2.8 percent and 2.1 percent respectively. The Financial Industry's credit growth was 24.4 percent (Y/Y) in 2018 while 31.3 percent (Y/Y) and 26.5 percent (Y/Y) is the growth rate of MFI and MDI respectively. The household credit accounts for the largest share of microfinance's total credit, registering 36 percent share for MDIs and 40 percent share for MFIs. The Return of Asset (ROA) and Return on Equity (ROE) for MFIs remained 2.4 percent and 3.5 percent respectively. MDIs have generated sustained profits as reflected in relatively high ROA and ROE, 2.8 percent and 16.5 percent. After the interest rate cap from National Bank of Cambodia (NBC)—the non-interest income of MFI and MDI increased to 19 percent and 8 percent respectively of the percentage income structure while the interest income was 78 percent and 91 percent respectively. In overall NPL ratios for banks and MDIs over the past two years was declined, while the NPL of Bank, MDI and MFI was 2.2 percent, 0.7 percent and 5 percent respectively by the end of 2018.

Totally the Microfinance industry remains strong and healthy in the last decade and expected to be continuous its growth in line with country's economic growth and stability.

OVERCOME 2018 WITH BREAK RECORD

The financial year 2018 has been a challenging one while we are in the second year after the acquisition, staffs capacity building and brand awareness need to be much

more focused because there are some changes during the transformational process and implementing the new the PRAKAS on credit risk grading and impairment provisioning. However, with strong support from the key stakeholders, FUNAN Microfinance achieved its financial performances at a satisfactory level with its growth rate at 54 percent in term of asset size, FUNAN was standing in rank number 3 among the MFI license (Non-MDI) with a total asset of USD49 million. By the end of 2018, we are having a loan portfolio of USD47 million and the current year net profit after payable tax is of USD1.7 Million. By strengthening risk management capability, the percentage of the non-performing loan is decelerated from 1.3 percent in 2017 to 1.19 percent in 2018. Both Return on Equity (ROE) and Return on Assets (ROA) had been improved significantly from 0.4 percent in 2017 to 19.9 percent in 2018 and 0.1 percent in 2017 to 4.1 percent in 2018, respectively.

OUR COMPETITIVE ADVANTAGES

Our corporate governance and risk management framework are in place to create a sound system of the company, check and balance ensuring the sustainable development; and complied with regulators.

We are a part of Cambodia Post Bank's Group with well-known shareholders from Canadia Investment Group, CIH (50%), Fullerton Financial Holding, FFH (45%), Cambodia Post Office, the state own company (5%). With our parent company, we have defined a clear market segment especially to the low-income people in self-employed mass market and salaried mass market. And with this value proposition and segment—we have determined a clear Vision & Mission for the long term value of Company and benefit to all stakeholders including client, shareholders and staffs. FUNAN's parent company is investing to become a digital banking, leveraging technology between the two companies are the best opportunity to enhance our internal capability for Fin-Tech solution to the segment.

We are having a skillful diversified and dynamic management team with many experiences in relating

to the field. With different functions, we are getting support from the technicians of the parent Company and Fullerton Financial Holding (FHH).

In addition to our current branch network of 51 branches countrywide and in order to increase the footprint, FUNAN is building business synergistic cooperation to enlarge the business channel, enhancing segment through cross selling products and client convenience. The synergistic cooperation is our long-term business strategy. With this, we will leverage our operational areas wider through introducing branchless business model.

PLANNING AHEAD

With our business aspiration in the medium term, we are enhancing our strengths to absorb the opportunity of becoming a Microfinance Deposit Taking Institution (MDI). To be there, FUNAN needs to improve its asset size becoming the first-ranked Microfinance, profitability, enhancing prudential policies and risk management framework, further investing in technology and our branding and public awareness. Keeping good relationship with regulators through implementing compliantly the PRAKAS and all recommendations are also our priority and taking in to account.

To this end, we are grateful to have the immense support of our board, shareholders, partners, regulators, management team, staffs, clients, and would like to acknowledge them for their encouragement, dedication and being a part of our growth.

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. Teo Meng Poh Philip
Vice Chairman of the Board of Director

Philip has more than 26 years of banking and financial services experience of which more than 18 years were with both Singapore and International banks. Area of experience spans across corporate and institutional lending, audit and credit risk review as well as risk management (credit & operational risks).

Philip has extensive experience in the international and regional markets having spent 7 years in China and Thailand responsible for corporate lending businesses and more than 15 years covering international and regional markets in the area of audit and credit risk review as well as risk management.



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 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.

BOARD OF DIRECTORS



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), and 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, petrochemical, 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 the field of Banking and Finance which are most related to Leadership, Performance Management, Risk Management...etc.

EXECUTIVE MANAGEMENT



Mr. Khou Buntry

Chief Executive Officer

He had 19 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 EVP & Finance Director with 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 14 years' experience in Financial Sectors including 4 years with CP-Bank with various positions as Sales Manager, Branch Manager (Head Office Branch). Prior to join Cambodia Post-Bank, his career started with Vision Fund Cambodia (MDI) from the front line staff as Credit Officer, then promoted to be District Branch Manager, Provincial Branch Manager (Regional Manager) and Senior Provincial Branch Manager (Regional Manager) supervising 10 District Branches underneath.

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



Mr. Kong Vannak

Head of Risk Management

He had 11 years' experience in financial sectors with holding several positions and with FUNAN, he is Head of Risk Management. Prior to joint Funan MFI, he worked 1 year as Credit Manager with CP-bank, 2 years as Head of Credit Department with Ly Hour Leasing Plc, 2 years as Sub Branch Manager with HKL MFI.

He graduated Bachelor Degree in Accounting and English Literature.



Mr. Meang Chhun Eng

Head of Internal Audit

He had 13 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 Bachelor Degree in Accounting and Finance.



Mr. Moeng Sarong

Head of Finance

Joined Funan Microfinance Plc. as Head of Finance in July 2018. Prior to this, he worked at Lyhour Microfinance as Deputy Head of Finance. He had 8 years of experience in Accounting/Finance, mostly with FIs, which grant him with extensive experiences in financial reporting, financial planning and management, budgeting and treasury management. He is holding bachelor degree in Accounting and bachelor degree in English and recently, become an ACCA affiliate from CamEd Business School.



Mr. Chhim Visoth

Head of IT

He had over nine years of experience with education, private companies and financial sectors. He was 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.

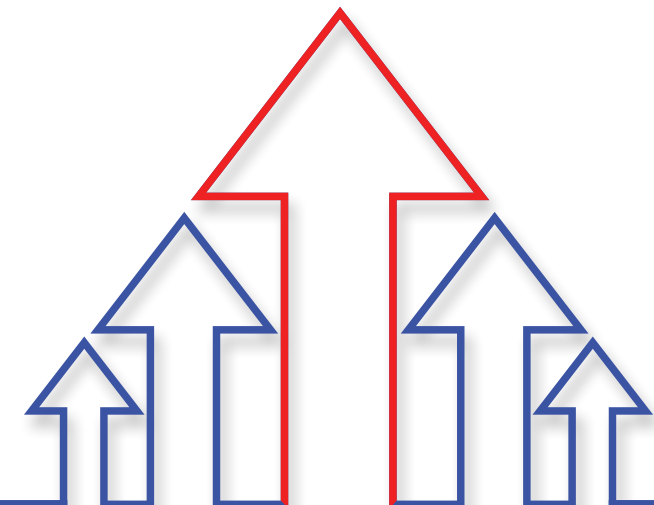


Mr. Sin Leangchhe

Head of HR & Admin Acting

He had 11 years' experience in Financial Sectors including two years as Regional Manager, a year as senior Branch Manager, three years as Branch Manager with Chamroern Microfinance Plc.

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





03

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility
Financial Education



CORPORATE SOCIAL RESPONSIBILITY

“FOREST IS LIFE” SOCIAL EVENT

On January 19th, 2019—the management team and colleagues of FUNAN Microfinance plc., celebrated a social event called “**Forest is Life**” by engaging all stakeholders to join the activity. The people were announced to participate through sharing the announcing Facebook page for the event. One Facebook page sharing is one mangrove tree planting. As result, hundreds of Mangrove trees were planted in the community.

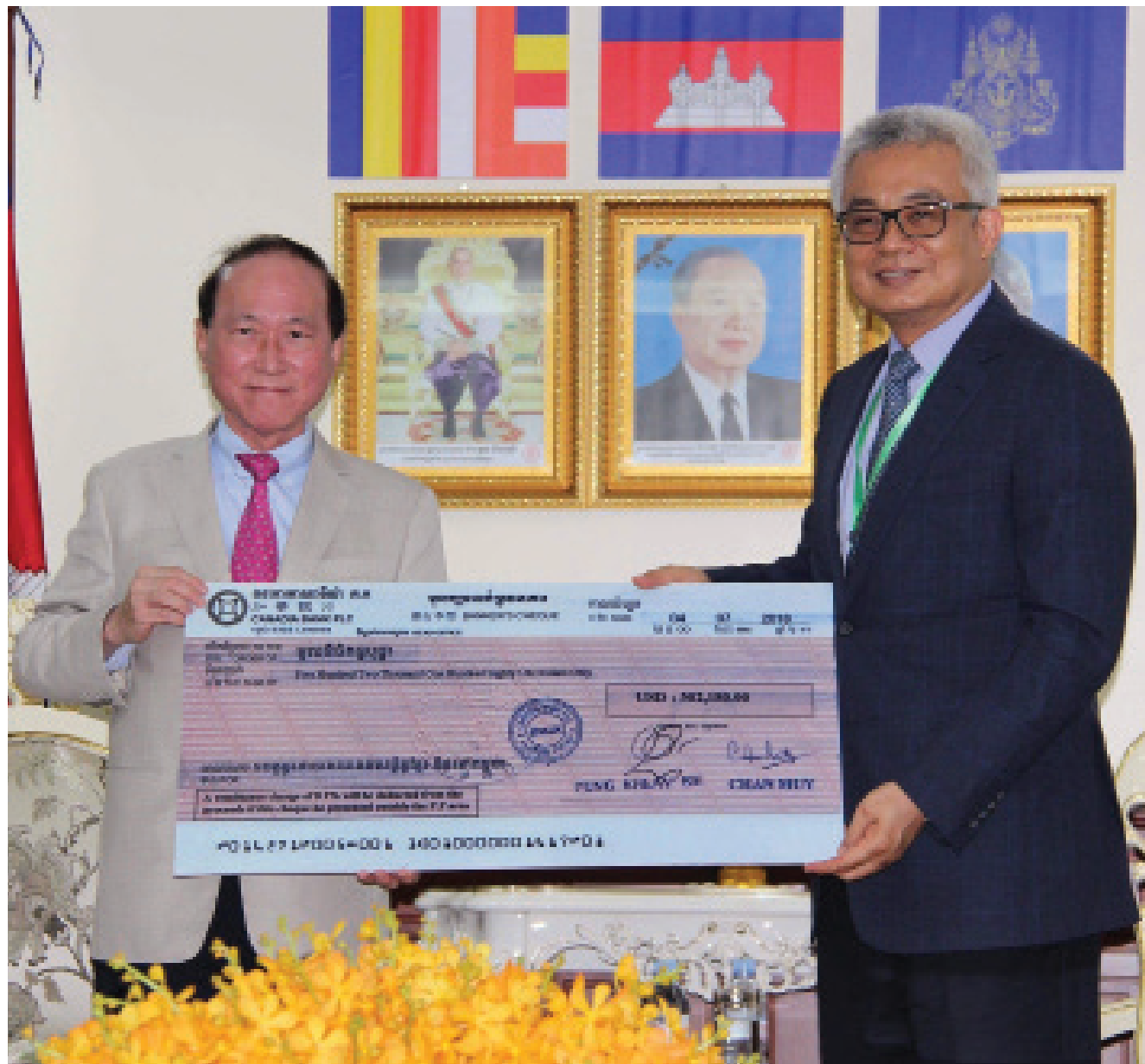
Mr. Khou Buntry, the CEO of FUNAN provided a short notice during mangrove planting day—“Mangrove tree is an intermediary to protect the climate change, and it creates biodiversity and eco-life system”.

Mr. Sim Him, the chief of Trapangsangke Fishery Community, said that—After Mangrove trees conservation in our community, the people can earn US\$10 per day increased by US\$2.5 from the fishery.

“**With FUNAN With Hope**” is the company’s

slogan empowering all kind of people to be a part of FUNAN in the social responsibility activities and encouraging people to be positive, optimistic and hopeful.

“Mangrove tree is an intermediary to protect the climate change, and it creates biodiversity and eco-life system”.



CORPORATE SOCIAL RESPONSIBILITY

KHUNTHEAK-BOPHA DONATION

With the vision and leadership of BoD chairman and the FUNAN's shareholder, Neak Oknha Pung Kheav se, FUNAN Microfinance and other companies under Canadia Group contribute for Khuntheak-Bopha donation on monthly basis. The contribution is a part to help Khuntheak-Bopha to continue its mission in saving Cambodian children. US\$1.25 with

total number of staffs, is calculated for the monthly contribution. FUNAN's staffs are also a part of the donation while they contribute willingly with 40 percent.



BLOOD DONATION

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. Be a part of FUNAN to provide the hope to the victims,

“With FUNAN With Hope”.



មានហ្វុណាន មានសង្ឃឹម



FINANCIAL EDUCATION

FINANCIAL EDUCATION

Funan Microfinance Plc. believes that customer succeeds, Funan succeeds. Therefore, financial education has been promoted frequently by Funan's 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. Our activities are reflected in Funan's Vision statement— to be the best Microfinance Institution (MFI) that enable success and enriches lives of Cambodian people.

CLIENT SUCCESS

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.

STAFF ACTIVITIES AND WELFARES



▶ Sports



▶ 2018 Annual Assembly



▶ Khmer New Year



▶ Staffs Welfares

04

AUDITED FINANCIAL STATEMENTS

Report of the Board of Directors
Independent Auditor's report
Balance Sheet
Income Statement
Statement of Change in Equity
Statement of Cashflow
Note to Financial Statements
Summary of Financial Performance



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 2018 ("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 2018 were as follows:

| | US\$ | KHR'000 (Note 4) |
|--------------------------------|------------------|---------------------|
| Profit before income tax | 2,179,991 | 8,759,204 |
| Income tax expense | (445,861) | (1,791,469) |
| NET PROFIT FOR THE YEAR | 1,734,130 | 6,967,735 |

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:

- 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
- 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

The share capital of the Company as at 31 December 2018 is US\$8,000,000 (2017: US\$8,000,000. No change in the shareholding structure during the year.

THE BOARD OF DIRECTORS

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

- **Neak Oknha Pung Kheav Se**
Chairman
- **Mr. Teo Meng Poh Philip**
Vice Chairman (appointed on 11 January 2019)
- **Mr. Lee Meng Teck Victor**
Vice Chairman (resigned on 13 December 2018)
- **Mr. Neo Poh Kiat**
Independent Director
- **Mr. Giang Sovann**
Independent Director
- **Mr. Toch Chaochek**
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 2018, 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:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- 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;
- Oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- 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
- 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 has 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 9 to 53, which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 Kheav Se
Chairman of the BoD

Phnom Penh, Kingdom of Cambodia
Date: 15 June 2019

Mr. Khou Buntry
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 15 June 2019

REPORT OF THE INDEPENDENT AUDIT

OPINION

We have audited the financial statements of Funan Microfinance Plc. ("the Company"), which comprise the balance sheet as at 31 December 2018, 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 9 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 2018, 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 5, and the annual report which is expected to be made available to us after that date.

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of 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.

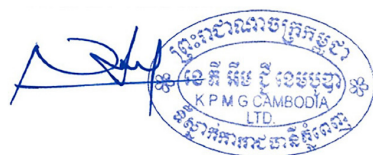
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

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: 15 June 2019

BALANCE SHEET

As of December 2018

| | | 2018 | | 2017 | |
|--------------------------------------|--------|-------------------|---------------------|-------------------|---------------------|
| | NOTES | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| ASSETS | | | | | |
| Cash on hand | 5 | 289,498 | 1,163,203 | 168,143 | 678,793 |
| Deposits and placements with the NBC | 6 | 406,915 | 1,634,984 | 404,763 | 1,634,028 |
| Deposits and placements with banks | 7 | 319,956 | 1,285,583 | 1,877,749 | 7,580,473 |
| Loans to customers | 8 | 46,240,110 | 185,792,762 | 28,548,091 | 115,248,643 |
| Other assets | 9 | 780,447 | 3,135,836 | 571,661 | 2,307,796 |
| Property and equipment | 10 | 229,538 | 922,284 | 190,438 | 768,798 |
| Intangible assets | 11 | 142,254 | 571,577 | 171,556 | 692,572 |
| Deferred tax assets | 13 (a) | 355,656 | 1,429,026 | 149,852 | 604,953 |
| TOTAL ASSETS | | 48,764,374 | 195,935,255 | 32,082,253 | 129,516,056 |
| LIABILITIES AND EQUITY | | | | | |
| Liabilities | | | | | |
| Other liabilities | 12 | 1,494,714 | 6,005,761 | 875,856 | 3,535,830 |
| Current income tax liability | 13(b) | 559,348 | 2,247,460 | 61,610 | 248,720 |
| Borrowings | 14 | 36,691,762 | 147,427,500 | 22,915,222 | 92,508,751 |
| Provision for employee benefits | 15 | 166,729 | 669,917 | 111,874 | 451,636 |
| Total Liabilities | | 38,912,553 | 156,350,638 | 23,964,562 | 96,744,937 |
| EQUITY | | | | | |
| Share capital | 16 | 8,000,000 | 32,144,000 | 8,000,000 | 32,296,000 |
| Retained earnings | | 1,851,821 | 7,440,617 | 117,691 | 475,119 |
| Total Equity | | 9,851,821 | 39,584,617 | 8,117,691 | 32,771,119 |
| TOTAL LIABILITIES AND EQUITY | | 48,764,374 | 195,935,255 | 32,082,253 | 129,516,056 |

INCOME STATEMENT

For The Year Ended 31 December 2018

| | NOTES | 2018 | | 2017 | |
|--|-------|------------------|---------------------|------------------|---------------------|
| | | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Interest income | 17 | 7,078,911 | 28,443,064 | 4,302,600 | 17,369,596 |
| Interest expense | 14 | (2,498,234) | (10,037,904) | (905,554) | (3,655,721) |
| Net interest income | | 4,580,677 | 18,405,160 | 3,397,046 | 13,713,875 |
| Other operating income | 18 | 3,485,281 | 14,003,859 | 1,360,371 | 5,491,818 |
| Net operating income | | 8,065,958 | 32,409,019 | 4,757,417 | 19,205,693 |
| Personnel expenses | 19 | (3,350,981) | (13,464,242) | (2,845,828) | (11,488,608) |
| General and administrative expenses | 20 | (1,770,413) | (7,113,519) | (1,541,239) | (6,221,982) |
| Allowance for bad and doubtful instruments | 8 | (764,573) | (3,072,054) | (294,388) | (1,188,444) |
| Profit before income tax | | 2,179,991 | 8,759,204 | 75,962 | 306,659 |
| Income tax expense | 13(c) | (445,861) | (1,791,469) | (40,716) | (164,370) |
| NET PROFIT FOR THE YEAR | | 1,734,130 | 6,967,735 | 35,246 | 142,289 |

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2018

| | Share Capital US\$ | Retained Earnings US\$ | Total US\$ |
|--------------------------------------|-----------------------|---------------------------|-------------------|
| 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 |
| At 1 January 2018 | 8,000,000 | 117,691 | 8,117,691 |
| Net profit for the year | – | 1,734,130 | 1,734,130 |
| As at 31 December 2018 | 8,000,000 | 1,851,821 | 9,851,821 |
| (KHR'000 EQUIVALENT – NOTE 4) | 32,144,000 | 7,440,617 | 39,584,617 |

STATEMENT OF CASHFLOW

For The Year Ended 31 December 2018

| | 2018 | | 2017 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Cash flows from operating activities | | | | |
| Profit before income tax | 2,179,991 | 8,759,204 | 75,962 | 306,659 |
| Adjustments for: | | | | |
| Allowance for bad and doubtful instruments | 764,573 | 3,072,054 | 294,388 | 1,188,444 |
| Depreciation and amortisation | 191,544 | 769,624 | 313,942 | 1,267,383 |
| Gains on disposal of property and equipment | (10,706) | (43,017) | (177,340) | (715,922) |
| Net interest income | (4,580,677) | (18,405,160) | (3,397,046) | (13,713,875) |
| Employee benefits (reversal) / expense | (31,545) | (126,748) | 16,454 | 66,425 |
| Provision for employee benefits | 166,729 | 669,917 | – | – |
| Loan to customer written off | – | – | (744,901) | (3,007,165) |
| Foreign exchange loss | – | – | 5,879 | 23,734 |
| | (1,320,091) | (5,304,126) | (3,612,662) | (14,584,317) |
| Changes in: | | | | |
| Loans to customers | (18,453,360) | (74,145,600) | (18,978,252) | (76,615,203) |
| Other assets | (39,902) | (160,326) | 181,976 | 734,637 |
| Other liabilities | 618,858 | 2,486,571 | 529,552 | 2,137,801 |
| Net cash used in operations | (19,194,495) | (77,123,481) | (21,879,386) | (88,327,082) |
| Interest received | 4,411,793 | 17,726,584 | 3,102,251 | 12,523,787 |
| Income tax paid | (153,927) | (618,479) | (99,912) | (403,344) |
| Employee benefits received | – | – | 16,436 | 66,353 |
| Employee benefits paid | (80,329) | (322,762) | – | – |
| Net cash used in operating activities | (15,016,958) | (60,338,138) | (18,860,611) | (76,140,286) |
| Cash flows from investing activities | | | | |
| Purchase of property and equipment | (170,300) | (684,265) | (58,585) | (236,508) |
| Purchase of intangible asset | (34,979) | (140,546) | (32,457) | (131,029) |
| Proceeds from disposals of property and equipment | 14,643 | 58,836 | 295,090 | 1,191,277 |
| Net cash (used in) / Generated from investing activities | (190,636) | (765,975) | 204,048 | 823,740 |
| Cash flows from financing activities | | | | |
| Repayments of borrowings | (995,520) | (3,999,999) | (3,750,000) | (15,138,750) |
| Proceeds from borrowings | 14,772,060 | 59,354,137 | 22,915,222 | 92,508,752 |
| Net cash generated from financing activities | 13,776,540 | 55,354,138 | 19,165,222 | 77,370,002 |

STATEMENT OF CASHFLOW

For The Year Ended 31 December 2018

| | 2018 | | 2017 | |
|---|----------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Net (decrease) / Increase in cash and cash equivalents | (1,431,054) | (5,749,975) | 508,659 | 2,053,456 |
| Cash and cash equivalents at beginning of the year | 2,050,655 | 8,278,494 | 1,541,996 | 6,225,038 |
| Currency translation differences | — | (38,963) | — | — |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 23) | 619,601 | 2,489,556 | 2,050,655 | 8,278,494 |



NOTE TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2018

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.

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, Mondulkiri, 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 2018, the Company had 646 employees (2017: 638 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 15 June 2019.

(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 National Bank of Cambodia

Deposits and placements with the National Bank of Cambodia, 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. The Company provide regulatory allowance for impairment losses for placements with banks at 1 percent (2017: nil).

(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 that are identified as non-performing is made as follows:

Prior to 1 January 2018

| CLASSIFICATION | NUMBER OF DAYS PAST DUE | ALLOWANCE |
|---|-------------------------|-----------|
| Short term loans (less than one year): | | |
| Normal / Standard | <30 days | 1% |
| 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): | | |
| Normal / Standard | <30 days | 1% |
| Sub-standard | 30 days or more | 10% |
| Doubtful | 60 days or more | 30% |
| Loss | 90 days or more | 100% |

From 1 January 2018

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% |
| 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% |

The change in the credit risk grading and provisioning is applied prospectively and the effect of this change resulted in increase in allowance for bad and doubtful loans for the year ended 31 December 2018 of US\$40,667.

The specific allowance is calculated as a percentage of the loans outstanding at the time the loan is classified and is charged as an expense.

Recoveries on loans previously written off are disclosed as other income in the income statement.

(H) Other credit related commitments

In the normal course of business, the Company enters into other credit related commitments including loan commitments. The accounting policy and regulatory provision followed the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor in Note 3(g) above.

(I) 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.

(J) 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.

(K) 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 | 4 years |
| Motor vehicles | 4 years |
| Office equipment | 4 years |
| Computers | 4 years |
| Furniture and fittings | 4 years |

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

(I) 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 4 years.

(M) 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.

(N) 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.

(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) Employee benefits

(i) Short-term employee benefits

Short term employee benefits are accrued in the period in which the associated services are rendered by the employees of the Company.

(ii) Defined contribution plan

Policy applicable before 1 January 2018

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 percent of the latest basic salary of employee.

The employee benefits will be paid 100 percent 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 employees resign before retirement age, he/she would be entitled to the following portion of provident fund:

Number of working years

Less than or equal 3 years

Less than or equal 4 years

Less than or equal 5 years

Less than or equal 5 years

Benefit received under the plan

Only the contribution made by the employee

50 percent of the contribution made by the Company plus the contribution made by the employee

70 percent of the contribution made by the Company plus the contribution made by the employee

100 percent 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.

In 2018, the Company paid the remaining liability and ceased the scheme to replace with new scheme in 3 (p) (iii) below.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(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.

(U) New financial reporting frameworks

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance ("the National Accounting Council") announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by the International Financial Reporting Standards Board ("IASB"), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

accordance with CIFRS for accounting period beginning on or after 1 January 2012.

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

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

The Company's management is evaluating the potential impact on the adoptions of these new accounting framework.

4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

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 KHR4,018 (2017: US\$1 to KHR4,037) published by the NBC on 31 December 2018. 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

| | 2018 | | 2017 | |
|-------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Head office | 7,025 | 28,226 | 7,038 | 28,412 |
| Branches | 282,473 | 1,134,976 | 161,105 | 650,381 |
| | 289,498 | 1,163,203 | 168,143 | 678,793 |

The above amounts are analysed by currency as follows:

| | 2018 | | 2017 | |
|------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| US Dollars | 130,964 | 526,213 | 73,282 | 295,83 |
| Khmer Riel | 158,534 | 636,990 | 94,861 | 382,954 |
| | 289,498 | 1,163,203 | 168,143 | 678,793 |

6. DEPOSITS AND PLACEMENTS WITH THE NBC

| | 2018 | | 2017 | |
|-----------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Statutory deposit (*) | 400,000 | 1,607,200 | 400,000 | 1,614,800 |
| Current accounts | 6,915 | 27,784 | 4,763 | 19,228 |
| | 406,915 | 1,634,984 | 404,763 | 1,634,028 |

(*) 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 percent 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.

No interest is earned on this statutory deposit.

7. DEPOSITS AND PLACEMENTS WITH BANKS

| | 2018 | | 2017 | |
|---|----------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Savings accounts | 260,892 | 1,048,264 | 798,298 | 3,222,729 |
| Current accounts | 62,296 | 250,305 | 1,079,451 | 4,357,744 |
| | 323,188 | 1,298,569 | 1,877,749 | 7,580,473 |
| Regulatory allowance for impairment losses (Note 8A) | (3,232) | (12,986) | - | - |
| | 319,956 | 1,285,583 | 1,877,749 | 7,580,473 |

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

Deposits and placements with banks are analysed as follows:

| | 2018 | | 2017 | |
|-------------------------|----------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| (a) By currency: | | | | |
| US Dollars | 212,518 | 853,897 | 1,781,246 | 7,190,890 |
| Khmer Riel | 110,670 | 444,672 | 96,503 | 389,583 |
| | 323,188 | 1,298,569 | 1,877,749 | 7,580,473 |

| | 2018 | | 2017 | |
|---|------|---------------------|------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| (b) By interest rate (per annum) | | | | |
| Savings accounts | | 0.00% - 2.00% | | 0.015% - 2.50% |
| Current accounts | | 0.00% - 0.80% | | 0.00% - 2.00% |

8. LOANS TO CUSTOMERS

| | 2018 | | 2017 | |
|---------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Individual loans | 46,719,633 | 187,719,486 | 27,868,128 | 112,503,633 |
| Group loans | 14,190 | 57,015 | 618,204 | 2,495,690 |
| Staff loans | 235,322 | 945,524 | 241,843 | 976,320 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |
| Allowance for bad and doubtful loans: | | | | |
| - General allowance | (464,039) | (1,864,509) | (88,804) | (358,502) |
| - Specific allowance | (264,996) | (1,064,754) | (91,280) | (368,498) |
| | (729,035) | (2,929,263) | (180,084) | (727,000) |
| | 46,240,110 | 185,792,762 | 28,548,091 | 115,248,643 |

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

| | 2018 | | 2017 | |
|------------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| At 1 January | 180,084 | 727,000 | 624,718 | 2,521,987 |
| Allowance for the year | 761,341 | 3,059,068 | 294,388 | 1,188,444 |
| Written off | (212,390) | (853,383) | (744,901) | (3,007,165) |
| Currency translation | - | (3,422) | 5,879 | 23,734 |
| AT 31 DECEMBER | 729,035 | 2,929,263 | 180,084 | 727,000 |

A. Allowance for bad and doubtful instruments

Allowance for bad and doubtful instruments recognised in the income statement were as follows:

| | 2018 | | 2017 | |
|--------------------------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Allowance for bad and doubtful loans | 761,341 | 3,059,068 | 294,388 | 1,188,444 |
| Regulatory allowance (Note 7) | 3,232 | 12,986 | - | - |
| | 764,573 | 3,072,054 | 294,388 | 1,188,444 |

Loans to customers are further analysed as follows:

| | 2018 | | 2017 | |
|-------------------------|-------------------|---------------------|-------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| (a) By maturity: | | | | |
| Within 1 month | 124,172 | 498,923 | 90,069 | 363,609 |
| > 1 to 3 months | 181,370 | 728,745 | 205,547 | 829,793 |
| > 3 to 12 months | 3,230,039 | 12,978,297 | 3,032,453 | 12,242,013 |
| 1 to 4 years | 43,423,564 | 174,475,880 | 25,305,391 | 102,157,863 |
| More than 5 years | 10,000 | 40,180 | 94,715 | 382,365 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

8. LOANS TO CUSTOMERS (CONTINUED)

(b) By currency:

| | | | | |
|------------|-------------------|--------------------|-------------------|--------------------|
| US Dollars | 31,645,178 | 127,150,326 | 19,965,030 | 80,598,826 |
| Khmer Riel | 15,323,967 | 61,571,699 | 8,763,145 | 35,376,817 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |

(c) By economic sector:

| | | | | |
|--------------------|-------------------|--------------------|-------------------|--------------------|
| Agriculture | 8,576,023 | 34,458,460 | 5,063,250 | 20,440,340 |
| Trade and commerce | 7,068,651 | 28,401,840 | 5,463,290 | 22,055,302 |
| Services | 2,028,205 | 8,149,328 | 1,408,945 | 5,687,911 |
| Transportation | 1,180,861 | 4,744,699 | 651,960 | 2,631,963 |
| Construction | 2,820,884 | 11,334,312 | 10,239,475 | 41,336,761 |
| Household/family | 24,996,039 | 100,434,085 | 5,596,302 | 22,592,271 |
| Others | 298,482 | 1,199,301 | 304,953 | 1,231,095 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |

(d) By residency status:

| | | | | |
|-----------|-------------------|--------------------|-------------------|--------------------|
| Residents | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |
|-----------|-------------------|--------------------|-------------------|--------------------|

(e) By relationship:

| | | | | |
|--------------------|-------------------|--------------------|-------------------|--------------------|
| External customers | 46,733,823 | 187,776,501 | 28,486,332 | 114,999,323 |
| Staff loans | 235,322 | 945,524 | 241,843 | 976,320 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |

(f) By performance:

| | | | | |
|------------------------|-------------------|--------------------|-------------------|--------------------|
| Standard loans: | | | | |
| Secured | 45,180,837 | 181,536,604 | 27,041,066 | 109,164,783 |
| Unsecured | 1,222,977 | 4,913,922 | 1,311,923 | 5,296,233 |
| Special mention loans: | | | | |
| Secured | 77,130 | 309,908 | - | - |
| Unsecured | 4,682 | 18,812 | - | - |
| Sub-standard loans: | | | | |
| Secured | 157,049 | 631,023 | 175,261 | 707,529 |
| Unsecured | 3,230 | 12,978 | 17,514 | 70,704 |
| Doubtful loans: | | | | |
| Secured | 177,190 | 711,949 | 131,798 | 532,069 |
| Unsecured | 9,143 | 36,737 | 25,929 | 104,675 |
| Loss loans: | | | | |
| Secured | 114,740 | 461,025 | 18,534 | 74,822 |
| Unsecured | 22,167 | 89,067 | 6,150 | 24,828 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |

(g) By location:

| | | | | |
|--------------------|-------------------|--------------------|-------------------|--------------------|
| Phnom Penh | 2,646,930 | 10,635,365 | 1,277,226 | 5,156,161 |
| Provincial offices | 16,074,412 | 64,586,987 | 10,553,995 | 42,606,478 |
| District offices | 28,247,803 | 113,499,673 | 16,896,954 | 68,213,004 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |

(h) By interest rate (per month):

| | | |
|------------------|---------------|---------------|
| Individual loans | 1.10% - 5.00% | 1.10% - 5.00% |
| Group loans | 1.50% - 4.00% | 1.50% - 4.30% |
| Staff loans | 0.83% - 1.30% | 0.83% - 1.70% |

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

9. OTHER ASSETS

| | 2018 | | 2017 | |
|-----------------------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Accrued interest receivable | 525,882 | 2,112,994 | 347,289 | 1,402,006 |
| Less: Interest in suspense | (62,203) | (249,932) | (52,494) | (211,918) |
| Accrued interest receivable – net | 463,679 | 1,863,062 | 294,795 | 1,190,088 |
| Deposits | 153,269 | 615,835 | 142,194 | 574,037 |
| Prepayments | 145,960 | 586,467 | 131,330 | 530,179 |
| Others | 17,539 | 70,472 | 3,342 | 13,492 |
| | 780,447 | 3,135,836 | 571,661 | 2,307,796 |

10. PROPERTY AND EQUIPMENT

| 2018 | LEASEHOLD IMPROVEMENTS US\$ | MOTOR VEHICLES US\$ | OFFICE EQUIPMENT US\$ | COMPUTERS US\$ | FURNITURE AND FITTINGS US\$ | WORK IN PROGRESS US\$ | TOTAL | |
|---|--------------------------------|------------------------|--------------------------|-------------------|--------------------------------|--------------------------|----------------|---------------------|
| | | | | | | | US\$ | KHR'000 (NOTE 4) |
| Cost | | | | | | | | |
| At 1 January 2018 | 11,632 | 146,439 | 75,676 | 290,528 | 68,166 | - | 592,441 | 2,380,429 |
| Additions | 20,019 | 50,000 | 15,601 | 67,570 | 4,385 | 12,725 | 170,300 | 684,265 |
| Disposals | - | (30,653) | - | - | - | - | (30,653) | (123,164) |
| Write off | - | - | (10,817) | (14,189) | - | - | (25,006) | (100,474) |
| At 31 December 2018 | 31,651 | 165,786 | 80,460 | 343,909 | 72,551 | 12,725 | 707,082 | 2,841,056 |
| Less: Accumulated depreciation | | | | | | | | |
| At 1 January 2018 | 2,900 | 122,029 | 41,511 | 199,195 | 36,368 | - | 402,003 | 1,615,248 |
| Depreciation for the year | 5,432 | 34,066 | 18,118 | 54,540 | 15,107 | - | 127,263 | 511,343 |
| Disposals | - | (28,015) | - | - | - | - | (28,015) | (112,564) |
| Write off | - | - | (10,096) | (13,611) | - | - | (23,707) | (95,255) |
| At 31 December 2018 | 8,332 | 128,080 | 49,533 | 240,124 | 51,475 | - | 477,544 | 1,918,772 |
| CARRYING AMOUNTS AT 1 JANUARY 2018 | 8,732 | 24,410 | 34,165 | 91,333 | 31,798 | - | 190,438 | 765,181 |
| AT 31 DECEMBER 2017 | 23,319 | 37,706 | 30,927 | 103,785 | 21,076 | 12,725 | 229,538 | 922,284 |

10. PROPERTY AND EQUIPMENT (CONTINUED)

| 2017 | LEASEHOLD IMPROVEMENTS US\$ | MOTOR VEHICLES US\$ | OFFICE EQUIPMENT US\$ | COMPUTERS US\$ | FURNITURE AND FITTINGS US\$ | TOTAL | |
|---|--------------------------------|------------------------|--------------------------|-------------------|--------------------------------|----------------|---------------------|
| | | | | | | 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 2018 | 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 |

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS

| | 2018 | | 2017 | |
|--|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Cost | | | | |
| At 1 January | 310,597 | 1,247,979 | 278,140 | 1,122,851 |
| Additions | 34,979 | 140,546 | 32,457 | 131,029 |
| At 31 December | 345,576 | 1,388,525 | 310,597 | 1,253,880 |
| Less: Accumulated depreciation | | | | |
| At 1 January | 139,041 | 558,667 | 88,078 | 355,571 |
| Amortisation for the year | 64,281 | 258,281 | 50,963 | 205,737 |
| At 31 December | 203,322 | 816,948 | 139,041 | 561,308 |
| CARRYING AMOUNTS AT 31 DECEMBER | 142,254 | 571,577 | 171,556 | 692,572 |

12. OTHER LIABILITIES

| | 2018 | | 2017 | |
|---|------------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Payable to supplier of software license – Optimal 9 | 43,352 | 174,188 | 85,200 | 343,952 |
| Amounts due to shareholder (*) | - | - | 94,698 | 382,296 |
| Unearned income | 714,868 | 2,872,340 | 462,967 | 1,868,998 |
| Accrued expenses | 583,575 | 2,344,804 | 145,533 | 587,517 |
| Other tax payables | 9,026 | 36,266 | 9,312 | 37,593 |
| Others | 143,893 | 578,163 | 78,146 | 315,474 |
| | 1,494,714 | 6,005,761 | 875,856 | 3,535,830 |

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

13. INCOME TAX

(A) Statement of compliance

| | 2018 | | 2017 | |
|--|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Deferred tax assets | 355,656 | 1,429,026 | 149,852 | 604,953 |
| Deferred tax assets are attributable to the following: | | | | |
| | | | | |
| Property and equipment | 18,250 | 73,329 | 21,578 | 87,110 |
| Provision for employee benefits | 100,674 | 404,508 | 11,187 | 45,162 |
| Allowance for bad and doubtful instruments | 100,301 | 403,009 | 21,616 | 87,264 |
| Unearned processing fee | 142,974 | 574,470 | 92,593 | 373,798 |
| Currency translation difference | (6,543) | (26,290) | 2,878 | 11,619 |
| | 355,656 | 1,429,026 | 149,852 | 604,953 |

The movements of net deferred tax assets are as follows:

| | 2018 | | 2017 | |
|----------------------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| At 1 January | 149,852 | 604,953 | 74,593 | 301,132 |
| Credited to the income statement | 205,804 | 826,921 | 75,259 | 303,821 |
| Currency translation differences | - | (2,848) | - | - |
| At 31 December | 355,656 | 1,429,026 | 149,852 | 604,953 |

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

13. INCOME TAX (CONTINUED)

(B) Current income tax liability

| | 2018 | | 2017 | |
|--|----------------|---------------------|---------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| At 1 January | 61,610 | 248,720 | 45,547 | 183,873 |
| Recognised in profit or loss | 651,665 | 2,618,390 | 110,105 | 444,494 |
| Under provision in respect of prior year | - | - | 5,870 | 23,697 |
| Income tax paid | (153,927) | (618,479) | (99,912) | (403,344) |
| Currency translation | - | (1,171) | - | - |
| At 31 December | 559,348 | 2,247,460 | 61,610 | 248,720 |

(C) Income tax expense

| | 2018 | | 2017 | |
|--|----------------|---------------------|---------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Current income tax | 651,665 | 2,618,390 | 110,105 | 444,494 |
| Deferred tax | (205,804) | (826,921) | (75,259) | (303,821) |
| Under provision in respect of prior year | - | - | 5,870 | 23,697 |
| | 445,861 | 1,791,469 | 40,716 | 164,370 |

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:

| | 2018 | | 2017 | |
|--|------------------|---------------------|---------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Profit before income tax | 2,179,991 | 8,759,204 | 75,962 | 306,659 |
| | 435,998 | 1,751,840 | 15,192 | 61,332 |
| Tax computed at a rate of 20% | 9,863 | 39,629 | 19,654 | 79,341 |
| Effect of non-deductible expenses | - | - | 5,870 | 23,697 |
| Under provision in respect of prior year | 445,861 | 1,791,469 | 40,716 | 164,370 |

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

| | 2018 | | 2017 | |
|---------------------|-------------------|---------------------|-------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Non-related parties | 6,742,160 | 27,089,999 | - | - |
| Related party | 29,949,602 | 120,337,501 | 22,915,222 | 92,508,751 |
| | 36,691,762 | 147,427,500 | 22,915,222 | 92,508,751 |

During the year, the Company recorded interest expenses of US\$2,498,234 (2017: US\$905,554).

(A) By currency:

| | 2018 | | 2017 | |
|-------------|-------------------|---------------------|-------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| US Dollars | 23,750,000 | 95,427,500 | 10,750,000 | 43,397,750 |
| Khmer Riels | 12,941,762 | 52,000,000 | 12,165,222 | 49,111,001 |
| | 36,691,762 | 147,427,500 | 22,915,222 | 92,508,751 |

(B) By maturity:

| | 2018 | | 2017 | |
|-------------------------------|-------------------|---------------------|-------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Within one month | - | - | - | - |
| Between 1 month to 3 months | 995,520 | 3,999,999 | 990,835 | 4,000,001 |
| Between 3 months to 12 months | 995,520 | 3,999,999 | 990,835 | 4,000,001 |
| From 1 year to 5 years | 34,700,722 | 139,427,500 | 20,933,552 | 84,508,749 |
| | 36,691,762 | 147,427,500 | 22,915,222 | 92,508,751 |

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

14. BORROWINGS (CONTINUED)

(C) By annual interest rates:

| | 2018 | 2017 |
|-------------|---------------|---------------|
| US Dollars | 7.00% - 8.50% | 7.00% - 8.50% |
| Khmer Riels | 8.00% - 8.50% | 8.00% - 8.50% |

15. PROVISION FOR EMPLOYEE BENEFITS

| | 2018 | | 2017 | |
|-------------------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Pension funds liabilities (i) | - | - | 111,874 | 451,636 |
| Seniority indemnity (ii) | 166,729 | 669,917 | - | - |
| | 166,729 | 669,917 | 111,874 | 451,636 |

(i) Pension funds liabilities

The movement during the year is as follows:

| | 2018 | | 2017 | |
|------------------------------------|----------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| At 1 January | 111,874 | 451,637 | 78,984 | 318,858 |
| Additions during the year | | | | |
| - Employee contribution | - | - | 16,436 | 66,353 |
| - Employer contribution | - | - | 16,454 | 66,425 |
| Reversal during the year (Note 19) | (31,545) | (126,748) | - | - |
| Paid during the year | (80,329) | (322,762) | - | - |
| Currency translation | - | (2,127) | - | - |
| At 31 December | - | - | 111,874 | 451,636 |

(ii) Seniority indemnity

The movement during the year is as follows:

| | 2018 | | 2017 | |
|--|----------------|---------------------|----------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Recognised in profit or loss (Note 19) | 166,729 | 669,917 | - | - |
| At 31 December | 166,729 | 669,917 | - | - |

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018. This Prakas requires all employers to settle the seniority indemnity to their employee starting from 2019 onward.

The payment is determined at the amounts equal to 15 days of net wage per year. It is also required the employer to settle the retrospective (back-pay) seniority indemnity at a maximum amount of 6 months (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December at 7.5 days each. Employee does not entitle to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the entity.

Assumptions:

The following are the principal assumptions at the reporting date.

| | |
|-----------------|--------|
| Discount rate * | 4.74% |
| Turnover rate | 18.00% |

- As information on Cambodian corporate or government bonds are not readily available, the Company has analysed the medium to long term deposit rates in denomination of US\$ of major banks in Cambodia.

16. SHARE CAPITAL

The shareholding structure is as follows:

| | 2018 | | | 2017 | | |
|-------------------------|----------------|------------------|-------------------|----------------|------------------|-------------------|
| | % 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 | 100% | 8,000,000 | 8,000,000 |
| KHR'000 (Note 4) | | | 32,144,000 | | | 32,296,000 |

17. INTEREST INCOME

| | 2018 | | 2017 | |
|------------------------------------|------------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Loans to customers | 7,065,822 | 28,390,472 | 4,290,771 | 17,321,843 |
| Deposits and placements with banks | 13,089 | 52,592 | 11,829 | 47,753 |
| | 7,078,911 | 28,443,064 | 4,302,600 | 17,369,596 |

18. OTHER OPERATING INCOME

| | 2018 | | 2017 | |
|--|------------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Loan processing fees | 3,093,053 | 12,427,887 | 993,224 | 4,009,645 |
| Gains on disposals of property and equipment | 10,706 | 43,017 | 177,340 | 715,922 |
| Loan losses recovered | 93,483 | 375,615 | 17,555 | 70,870 |
| Others | 288,039 | 1,157,340 | 172,252 | 695,381 |
| | 3,485,281 | 14,003,859 | 1,360,371 | 5,491,818 |

19. PERSONNEL EXPENSES

| | 2018 | | 2017 | |
|-------------------------------|------------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Staff salaries and bonuses | 3,061,040 | 12,299,259 | 2,793,092 | 11,275,712 |
| Pension fund (Note 15) | (31,545) | (126,748) | 16,454 | 66,425 |
| Seniority indemnity (Note 15) | 166,729 | 669,917 | - | - |
| Training | 40,677 | 163,440 | 16,102 | 65,004 |
| Others | 114,080 | 458,374 | 20,180 | 81,467 |
| | 3,350,981 | 13,464,242 | 2,845,828 | 11,488,608 |

20. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2018 | | 2017 | |
|-------------------------------------|------------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Depreciation and amortisation | 191,544 | 769,624 | 313,942 | 1,267,383 |
| Rental expense | 551,415 | 2,215,585 | 406,452 | 1,640,847 |
| Fuel | 203,254 | 816,675 | 129,900 | 524,406 |
| Repairs and maintenance | 145,914 | 586,282 | 96,137 | 388,105 |
| Professional services and licenses | 93,848 | 377,081 | 43,425 | 175,307 |
| Bank charge | 82,694 | 332,264 | 46,946 | 189,521 |
| Telecommunication charges | 81,796 | 328,656 | 82,186 | 331,785 |
| Office supplies and equipment | 80,151 | 322,047 | 72,339 | 292,033 |
| Transportation | 79,530 | 319,552 | 50,501 | 203,873 |
| Utilities expenses | 69,426 | 278,954 | 58,763 | 237,226 |
| Other tax expense | 58,573 | 235,346 | 152,076 | 613,931 |
| Conferences/convention expenses | 13,804 | 55,464 | 12,801 | 51,678 |
| Publicity expenses | 13,795 | 55,428 | 9,324 | 37,641 |
| Printing & forms expenses | 10,666 | 42,856 | 14,158 | 37,641 |
| Board of Directors related expenses | 1,793 | 7,204 | - | 57,156 |
| Foreign exchange loss | - | - | 14,381 | - |
| Other expenses | 92,210 | 370,501 | 37,908 | 58,056 |
| | 1,770,413 | 7,113,519 | 1,541,239 | 6,221,982 |

21. RELATED PARTY TRANSACTIONS AND BALANCES

| | 2018 | | 2017 | |
|---|-----------|---------------------|-----------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Rental expenses | 133,332 | 535,728 | 3,333 | 13,455 |
| Placement at banks | 171,017 | 687,146 | 1,460,391 | 5,895,598 |
| Board of Directors related expenses | 1,500 | 6,027 | - | - |
| Interest on Borrowings | 2,117,507 | 8,508,144 | 905,554 | 3,655,721 |
| Payment of tax reassessment on behalf by shareholders | - | - | 55,964 | 225,927 |
| Key management compensation: | | | | |
| Salaries and other benefits | 273,648 | 1,099,518 | 224,065 | 904,551 |
| Contribution fund expenses | - | - | 3,162 | 12,766 |

Related party balances are disclosed in Notes 12 and 14.

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

| | 2018 | | 2017 | |
|---------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Within 1 year | 411,977 | 1,655,324 | 383,889 | 1,549,760 |
| 2 to 5 years | 558,277 | 2,243,157 | 244,308 | 986,271 |
| Over 5 years | 20,341 | 81,730 | - | - |
| | 990,595 | 3,980,211 | 628,197 | 2,536,031 |

(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 Cashflows, cash and cash equivalents comprise:

| | 2018 | | 2017 | |
|--------------------------------------|----------------|---------------------|------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Cash on hand | 289,498 | 1,163,203 | 168,143 | 678,793 |
| Deposits and placements with the NBC | 6,915 | 27,784 | 4,763 | 19,228 |
| Deposits and placements with banks | 323,188 | 1,298,569 | 1,877,749 | 7,580,473 |
| | 619,601 | 2,489,556 | 2,050,655 | 8,278,494 |

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 the NBC's regulation. Refer to Note 3(g) for detail.

(iv) Exposure to credit risk

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

24. FINANCIAL RISK MANAGEMENT

| | 2018 | | 2017 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Credit exposure relating to on-balance sheet assets: | | | | |
| Loans to customers (Note 8) | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |
| Deposits and placements with the NBC (Note 6) | 6,915 | 27,784 | 4,763 | 19,228 |
| Deposits and placements with banks (Note 7) | 323,188 | 1,285,583 | 1,877,749 | 7,580,473 |
| Other assets | 481,218 | 2,183,466 | 298,137 | 1,203,580 |
| | 47,780,466 | 192,218,858 | 30,908,824 | 124,778,924 |

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

The above table represents a worst case scenario for credit risk exposure to the Company as at 31 December 2018 and 2017, without taking into account any collateral held or other credit enhancement attached.

Loans to customers

| | 2018 | | 2017 | |
|-------------------------------|-------------------|---------------------|-------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Neither past due nor impaired | 46,309,891 | 186,073,143 | 28,215,579 | 113,906,292 |
| Past due but not impaired | 175,735 | 706,103 | 137,410 | 554,724 |
| Individually impaired | 483,519 | 1,942,779 | 375,186 | 1,514,627 |
| | 46,969,145 | 188,722,025 | 28,728,175 | 115,975,643 |

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\$729,035 (31 December 2017: US\$180,084), which represents the specific allowance required by the NBC and 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 for short term loans and 90 days for long term loans, 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 for short-term loans and 89 days for long-term loans. 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).

| | 2018 | | 2017 | |
|------------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Past due 30-60 days | 2,068 | 8,309 | 72,710 | 293,530 |
| Past due 60-90 days | 2,094 | 8,414 | 50,475 | 203,768 |
| Past due 90-180 days | 150,836 | 606,059 | 79,668 | 321,620 |
| Past due 180-360 days | 185,953 | 747,159 | 152,508 | 615,675 |
| Past due over 360 days | 142,568 | 572,838 | 19,825 | 80,034 |
| | 483,519 | 1,942,779 | 375,186 | 1,514,627 |

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 (2017: 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 entails 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.

NOTE TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

| AS AT 31 DECEMBER 2018 | US\$ EQUIVALENTS | | TOTAL US\$ |
|---|-------------------|-------------------|-------------------|
| | US\$ | KHR | |
| Financial assets | | | |
| Cash on hand | 130,964 | 158,534 | 289,498 |
| Deposits and placements with the NBC | 4,964 | 1,951 | 6,915 |
| Deposits and placements with banks | 212,518 | 110,670 | 323,188 |
| Loans to customers | 31,645,178 | 15,323,967 | 46,969,145 |
| Other assets * | 316,449 | 164,769 | 481,218 |
| Total financial assets | 32,310,073 | 15,759,891 | 48,069,964 |
| Financial liabilities | | | |
| Borrowings | 23,750,000 | 12,941,762 | 36,691,762 |
| Provision for seniority indemnity | 166,729 | - | 166,729 |
| Other liabilities * | 577,825 | 49,104 | 626,929 |
| Total financial assets | 24,494,554 | 12,990,866 | 37,485,420 |
| Net financial asset/(liability) position | 7,815,519 | 2,769,025 | 10,584,544 |

| AS AT 31 DECEMBER 2017 | US\$ EQUIVALENTS | | TOTAL US\$ |
|---|-------------------|--------------------|------------------|
| | US\$ | KHR | |
| Total financial assets | 22,041,410 | 9,035,557 | 31,076,967 |
| 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 |

* Amounts excluded non-financial assets/liabilities.

(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 the 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 repricing or maturity dates.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

| As at 31 December 2018 | UP TO 1 MONTH US\$ | 3 - 12 MONTHS US\$ | 1 - 5 MONTHS US\$ | OVER 5 YEARS US\$ | 1 - 3 MONTHS US\$ | NON-INTEREST SENSITIVE US\$ | TOTAL US\$ |
|--|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|-------------------|
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 289,498 | 289,498 |
| Deposit and placements with the NBC | - | - | - | - | - | 6,915 | 6,915 |
| Deposits and placements with banks | - | - | - | - | - | - | 323,188 |
| Loans to customers | 124,172 | 181,370 | 3,230,039 | 43,423,564 | 10,000 | - | 46,969,145 |
| Other assets | 447,360 | 181,370 | 3,230,039 | 43,423,564 | 10,000 | 481,218 | 481,218 |
| Financial liabilities | | | | | | 777,631 | 48,069,964 |
| Borrowings | - | 995,520 | 995,520 | 34,700,722 | - | - | 36,691,762 |
| Provision for seniority indemnity | - | - | - | - | - | 166,729 | 166,729 |
| Other liabilities | 43,354 | - | - | - | - | 583,575 | 626,929 |
| | 43,354 | 995,520 | 995,520 | 34,700,722 | - | 750,304 | 37,485,420 |
| MATURITY GAP | 404,006 | (814,150) | 2,234,519 | 8,722,842 | 10,000 | 27,327 | 10,584,544 |

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

| As at 31 December 2017 | UP TO 1 MONTH US\$ | 3 - 12 MONTHS US\$ | 1 - 5 MONTHS US\$ | OVER 5 YEARS US\$ | 1 - 3 MONTHS US\$ | NON-INTEREST SENSITIVE US\$ | TOTAL 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 |
| 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 |

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

ហ្វុណាន មីក្រូហិរញ្ញវត្ថុ ភីអិលស៊ី
富南小额贷款公司 FUNAN Microfinance Plc.

ម៉ូតូ ជាមួយ ហ្វុណាន

ទទួលបាន
អត្រាការប្រាក់ទាប និងលក្ខខណ្ឌងាយៗ

093 508 888
067 666 768

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

| As at 31 December 2018 | UP TO 1 MONTH US\$ | 1 – 3 MONTHS US\$ | 3 – 12 MONTHS US\$ | 1 – 5 MONTHS US\$ | OVER 5 YEARS US\$ | NO FIXED TERMS US\$ | TOTAL US\$ |
|---|--------------------------|-------------------------|--------------------------|-------------------------|-------------------------|---------------------------|-------------------|
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 289,498 | 289,498 |
| Deposit with the National Bank of Cambodia | - | - | - | - | - | 6,915 | 6,915 |
| Deposits and placements with banks | 323,188 | - | - | - | - | - | 323,188 |
| Loans to customers | 124,172 | 181,370 | 3,230,039 | 43,423,564 | 10,000 | - | 46,969,145 |
| Other assets | - | - | - | - | - | 481,218 | 481,218 |
| | 447,360 | 181,370 | 3,230,039 | 43,423,564 | 10,000 | 777,631 | 48,069,964 |
| Financial liabilities | | | | | | | |
| Borrowings | - | 995,520 | 995,520 | 34,700,722 | - | - | 36,691,762 |
| Provision for seniority indemnity | - | - | - | - | - | 166,729 | 166,729 |
| Other liabilities | 43,354 | - | - | - | - | 583,575 | 626,929 |
| | 43,354 | 995,520 | 995,520 | 34,700,722 | - | 750,304 | 37,485,420 |
| MATURITY GAP | 404,006 | (814,150) | 2,234,519 | 8,722,842 | 10,000 | 27,327 | 10,584,544 |

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

| As at 31 December 2017 | UP TO 1 MONTH US\$ | 1 – 3 MONTHS US\$ | 3 – 12 MONTHS US\$ | 1 – 5 MONTHS US\$ | OVER 5 YEARS US\$ | NO FIXED TERMS US\$ | TOTAL US\$ |
|---|--------------------------|-------------------------|--------------------------|-------------------------|-------------------------|---------------------------|-------------------|
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 168,143 | 168,143 |
| Deposit with the National Bank of Cambodia | - | - | - | - | - | 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 |
| 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)

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

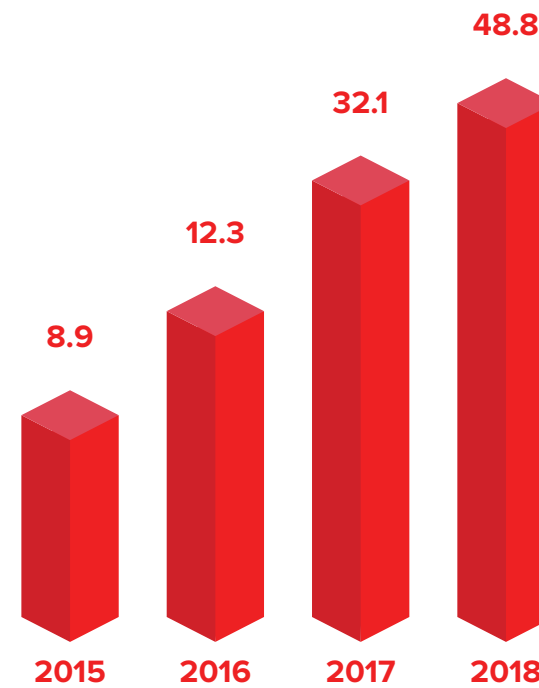
The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

(F) Fair values

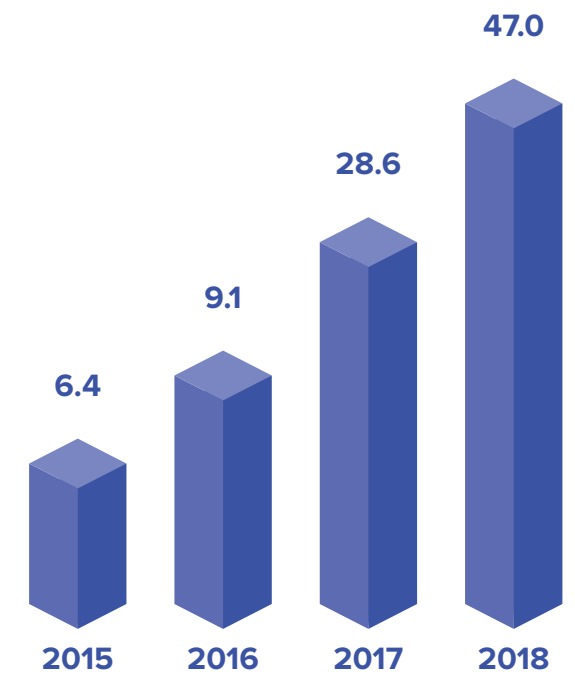
Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, and market prices are not available for a significant proportion of the Company's financial assets and liabilities, the fair values, therefore,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

SUMMARY OF FINANCIAL PERFORMANCE

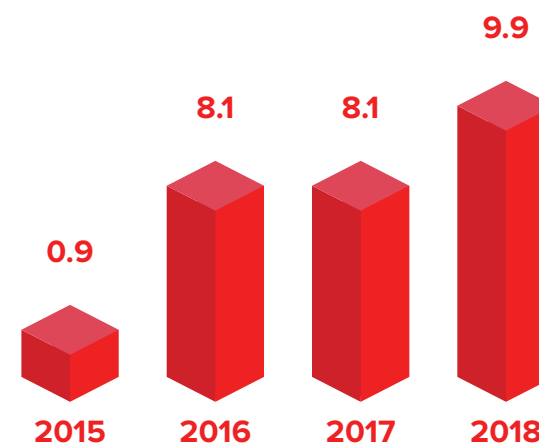
**TOTAL ASSETS
(US\$-MILLIONS)**



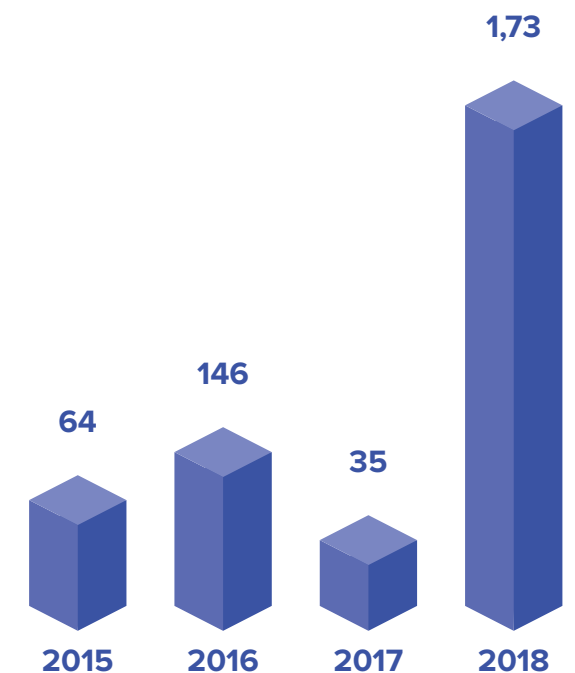
**LOAN PORTFOLIO
(IN US\$-MILLIONS)**



**TOTAL EQUITY
(US\$-MILLIONS)**



PROFIT IN \$'000



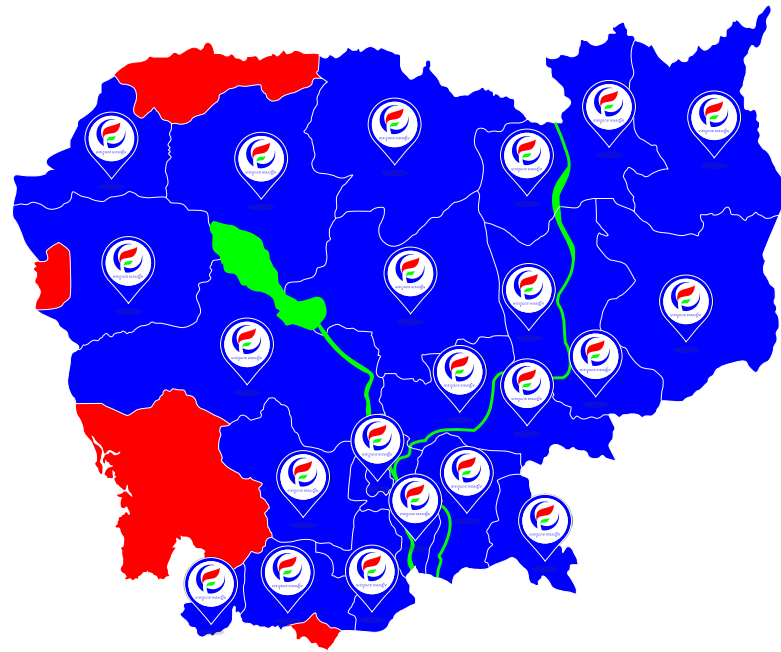
05

BRANCH NETWORK AND CONTACT

Top Branches & Staff Performance
Product and Service
Branch Network and Contact



TOP BRANCHES



TOP BRANCH NAME

- 1 Bor Seth
- 2 Kampong Tralach
- 3 Chi Kraeng
- 4 Preah Sihanouk
- 5 Kampong Chhnang

OUTSTANDING STAFF

ប្រតិភូគណនេយ្យប្រចាំ ឆ្នាំ២០១៨

| | | | | |
|--|--|--|--|--|
|  លោក. ធម្ម ស្នងលី សាខាបរសេដ្ឋ ផលប្រឹក្សាទទួលបាន US\$ ៤១៤,៦៣៥ ★★ |  លោក. ផង ចាន់ដារិទ្ធ សាខាកំពង់ត្រឡាច ផលប្រឹក្សាទទួលបាន US\$ ៤៧៩,១៣៨ ★★★★★ |  លោក. ប៊ុត វ៉ាសនា សាខាព្រៃកប្បាស ផលប្រឹក្សាទទួលបាន US\$ ៤៨៩,៣៧៣ ★★★★★ |  លោក. ចាក់ ឃៀន សាខាព្រះសីហនុ ផលប្រឹក្សាទទួលបាន US\$ ៤៦៦,០៦៥ ★★★ |  លោក. សៃ វិសាល សាខាបរសេដ្ឋ ផលប្រឹក្សាទទួលបាន US\$ ៣៦៥,៥២៤ ★ |
|--|--|--|--|--|

រាជធានីភ្នំពេញ ថ្ងៃទី០៣ ខែមករា ឆ្នាំ ២០១៩
 ធនាគារ មីក្រូហិរញ្ញវត្ថុ គីរីវង្ស ភ្នំពេញ



Products and Services

Business Loan



Car Loan



Agriculture Loan



Motorbike Loan



Consumption Loan



Home Improvement Loan



BRANCH NETWORK AND CONTACT

Head Office

#95, Monivong Blvd Conner (118), Sangkat Monorom, Khan 7 Makara, Phnom Penh.

Tel: (855-69) 69 2222 | br0002@funan.com.kh

Dangkor Branch

National Road 3, Phum Tuek Thla, Sangkat Krang Pong Ro, Khan Dangkao, Phnom Penh.

Tel: (855-10) 8888 40 | br00036@funan.com.kh

Khsach Kandal Branch

#95, Monivong Blvd Conner (118), Sangkat Monorom, Khan 7 Makara, Phnom Penh.

Tel: (855-69) 8888 57 | br0006@funan.com.kh

Ponhea Lue Branch

National Road 5, Phum Thommeak Trai, Phsar Daek Commune, Ponhea Lueu District, Kandal Province.

Tel: (855-81) 8888 04 | br0041@funan.com.kh

Koh Thom Branch

National Road 21, Phum Preaek Thmei, Preaek Thmei Commune, Kaoh Thom District, Kandal Province.

Tel: (855-69) 84 1111 | br0050@funan.com.kh

Kampong Speu Branch

5, National Road 4, Phum Mukh Khett, Sangkat Rokar Thom, Krong Chbar Mon, Kompong Speu Province.

Tel: (855-69) 8888 57 | br0018@funan.com.kh

Bor Seth Branch

#26AB, Group 2, Phum Trapeang Khyang, Tuol Ampil Commune, Barsedth District, Kampong Speu Province.

Tel: (855-69) 52 8888 | br0005@funan.com.kh

Takeo Branch

#90, National Road 2, Phum Lory, Sangkat Roka Knong, Krong Doun Keo, Takeo Province.

Tel: (855-69) 92 8888 | br0007@funan.com.kh

Bati Branch

National Road 2, Phum Chak, Trapeang Sab Commune, Bati District, Takeo Province.

Tel: (855-69) 8888 02 | br0017@funan.com.kh

Tramkak Branch

National Road 25, Phum Angk Tasaom, Angk Tasaom Commune, Tram Kak District, Takeo Province.

Tel: (855-10) 8888 37 | br0035@funan.com.kh

Kirivong Branch

National Road 2, Phum Kampong, Preah Bat Choan Chum Commune, Kiri Vong District, Takeo Province.

Tel: (855-10) 8888 49 | br0021@funan.com.kh

Baray Branch

National Road 6A, Phum Prey Tatrav, Ballangk Commune, Baray District, Kompong Thom Province.

Tel: (855-69) 37 8888 | br0008@funan.com.kh

Svay Antor Branch

No 432 Svay Antor1 Village, Svay Antor Commune, Svay Antor District, Prey Veng Province.

Tel: (855-69) 30 8888 | br0010@funan.com.kh

Srey Santhor Branch

Phum Roka Tvear, Preaek Pou Commune, Srei Santhor District, Kampong Cham Province.

Tel: (855-10) 8888 42 | br0039@funan.com.kh

Banteay Meas Branch

National Road 31, Phum Prey Krala Khang Lech, Tuk Meas Khang Lech Commune, Banteay Meas District, Kompot Province.

Tel: (855-10) 8888 50 | br0020@funan.com.kh

Prey Chhor Branch

National Road 7, Phum Sleng, Chreyvien Commune, Prey Chhor District, Kompong Cham Province.

Tel: (855-10) 8888 57 | br0023@funan.com.kh

Stung Treng Branch

Road 57, Phum Spean Thma, Sangkat Stung Treng, Krong Stung Treng, Stung Treng Province.

Tel: (855-69) 94 1111 | br0045@funan.com.kh

Pornheakrek Branch

National Road 8, Phum Pou Srok, Kaong Kang Commune, Ponhea Kraek District, Tboung Khmum Province.

Tel: (855-10) 8888 61 | br0026@funan.com.kh

Kampot Branch

Phum Kompong bay khang cherng, Sangkat Kampong Bay, Krong Kampot, Kampot Province.

Tel: (855-10) 8888 56 | br0022@funan.com.kh

Chhouk Branch

National Road 3, Phum Chheu Teal, Chhuk Commune, Chhuk District, Kampot Province.

Tel: (855-10) 8888 02 | br0030@funan.com.kh

Prey Kabbas

NPhum Lvea Tnaot, Prey Lvea Commune, Prey Kabbas District, Takeo Province.

Tel: (855-10) 8888 49 | br0025@funan.com.kh

Kampong Thom Branch

Phum Kompong bay khang cherng, Sangkat Kampong Bay, Krong Kampot, Kampot Province.

Tel: (855-10) 8888 56 | br0022@funan.com.kh

Batheay Branch

National Road 6, Phum Ph'av, Ph'av Commune, Batheay District, Kampong Cham Province.

Tel: (855-69) 53 8888 | br0004@funan.com.kh

Stoung Branch

National Road 6, Phum Kampong Kdei, Kampong Chen Tboung Commune, Stoung District, Kampong Thom Province.

Tel: (855-69) 34 1111 | br0049@funan.com.kh

Kampong Chhnang Branch

H6, National Road 5, Group1, Phum Ti Prambei, Sangkat Khsam, Krong Kompong Chhnang, Kompong Chhnang Province.

Tel: (855-69) 8888 56 | br0013@funan.com.kh

Kampong Tralach Branch

National Road 5, Phum Chrak Romiet, Ou Ruessei Commune, Kampong Tralack District, Kampong Chhnang Province.

Tel: (855-69) 32 8888 | br0009@funan.com.kh

Kampong Trabek Branch

National Road 1, Phum Poan Voat, Prasat Commune, Kampong Trabaek District, Prey Veng Province.

Tel: (855-10) 8888 12 | br0037@funan.com.kh

Kampong Cham Branch

#163, Road Preah Ang Eng, Phum Ti Pir, Sangkat Veal Vong, Krong Kampong Cham, Kampong Cham Province.

Tel: (855-69) 20 8888 | br0012@funan.com.kh

Prey Nob Branch

National Road 4, Phum Somrong Kraom, Somrong Commune, Prey Nob District, Preah Sihanouk Province.

Tel: (855-69) 8888 57 | br0006@funan.com.kh

Preah Sihanouk Branch

Village 3, Sangkat 1, Sihanoukville Distric, Sihanouk Province.

Tel: (855-87) 40 3333 | E-mail: br0051@funan.com.kh

Bavel Banch

Phum Spean Kondal Bavel Commune, Bavel District, Battambang Province.

Tel: (855-10) 8888 34 | br0033@funan.com.kh

Kean Svay Branch

National Road1 Phum Thum, Phum Thum Commune, Kean Svay District, Kandal Province.

Tel: (855-10) 8888 50 | br0020@funan.com.kh

Svay Rieng Branch

Phum Chong Preaek, Sangkat Svay Rieng, Krong Svay Rieng, Svay Rieng Province.

Tel: (855-10) 8888 52 | br0018@funan.com.kh

Kratie Branch

Phum Phsar Vaeng, Sangkat Kratie, Krong Kratie, Kratie Province.

Tel: (855-81) 8888 64 | br0043@funan.com.kh

Chhloung Branch

Phum Chrouy Thma Kraom, Chhloung Commune, Chhloung District, Kratie Province.

Tel: (855-10) 8888 56 | br0024@funan.com.kh

Snoul Branch

Phum Kbal Snuol, Snuol Commune, Snuol District, Kratie Province.

Tel: (855-81) 8888 20 | br0044@funan.com.kh

Stueng Trang Branch

Phum Tnorttasay, Preaek Kak Commune, Stueng Trang District, Kampong Cham Province.

Tel: (855-10) 8888 40 | br0029@funan.com.kh

Siem Reap Branch

National Road No 6, Phum Banteay Chas, Sangkat Sla Kram, Krong Siem Reap, Siem Reap Province.

Tel: (855-69) 51 8888 | br0014@funan.com.kh

Maung Russey Branch

National Road 5, Phum Pou Muoy, Kear Commune, Moung Ruessei District, Battambang Province.

Tel: (855-10) 8888 59 | br0027@funan.com.kh

Preah Vihear Branch

Road Phsa Chas, Phum Koukbeng, Sangkat Kampong Pranak, Krong Preah Vihear, Preah Vihear Province.

Tel: (855-10) 8888 70 | br0038@funan.com.kh

Rattanakiri Branch

#094, Road 70, Phum Thmei, Sangkat Labansiek, Krong Banlung, Ratanak Kiri Province.

Tel: (855-69) 20 1111 | br0046@funan.com.kh

Mongkul Borei Branch

National Road 5, Phum Ruessei Kraok, Ruessei Kraok commune, Mongkol Borei District, Banteay Meanchey Province.

Tel: (855-10) 8888 14 | br0031@funan.com.kh

Pursat Branch

#148, National Road # 5, Phum Monche, Sangkat Prey Nhi, Krong Pursat, Pursat Province.

Tel: (855-69) 31 8888 | br0011@funan.com.kh

Battambang Branch

National Road No 5, Phum Toul Ta Aek, Sangkat Toul Ta Aek, Krong Battambang, Battambang Province.

Tel: (855-10) 8888 19 | br0032@funan.com.kh

Bakan Branch

National Road 5, Phum Ou Ta Paong, Ou Ta Paong Commune, Bakan District, Pursat Province.

Tel: (855-69) 8888 71 | br0040@funan.com.kh

Chi Kraeng Branch

National Road 6, Group 6, Phum Thmei, Kouk Thlok Kraom Commune, Chi Kraeng District, Siem Reap Province.

Tel: (855-10) 8888 41 | br0042@funan.com.kh

Sotrnikum Branch

National Road 6, Phum Dam Daek Thmei, Dam Daek Commune, Sotr Nikom District, Siem Reap Province.

Tel: (855-69) 86 1111 | br0047@funan.com.kh

Krakor Branch

National Road 5, Phum Samrong, Kbal Trach Commune, Krakor District, Pursat Province.

Tel: (855-69) 58 1111 | br0048@funan.com.kh

Thma Koul Banch

Street 4, Trapang Kol Village, Sang Kat Kantouk, Khan Pau Sen Chey, Phnom Penh.

Tel: (855-96) 4444 985 | br0052@funan.com.kh

Kralanh Branch

National Road 6A, Phum Kampong Thkov 2, Kampong Thkov Commune, Kralanh District, Siem Reap Province.

Tel: (855-10) 8888 73 | br0028@funan.com.kh

Pau Sen Chey Banch

Street 4, Trapang Kol Village, Sang Kat Kantouk, Khan Pau Sen Chey, Phnom Penh.

Tel: (855-96) 4444 985 | br0052@funan.com.kh




ហ្វុណាន មីក្រូហិរញ្ញវត្ថុ ភីអិលស៊ី
富南小额贷款公司 FUNAN Microfinance Plc.
ការិយាល័យកណ្តាល
ទីស្នាក់ការកណ្តាល ផ្លូវលេខ ៦៥ មុខផ្លូវលេខ ១១៨ ភ្នំពេញ
ទូរស័ព្ទ: (+855) 23 888 830 / 93 508 888

FUNAN Microfinance Plc.

Building #65, Preah Monivong Blvd Corner of Street 118,
Sangkat Monourom, Khan 7 Meakkakra, Phnom Penh.

Email: info@funan.com.kh

Tel: (+855) 23 888 830 / 93 508 888



@FunanMFI



www.funan.com.kh



@FUNAN Microfinance Plc