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ដើម្បីអារិយធម៌កម្ពុជានិរន្តរ៍

ANNUAL REPORT

2017



Contents

SAMRITHISAK - VISION AND MISSION	1
SAMRITHISAK - OVERVIEW.....	1
FINANCIAL PERFORMANCE INDICATORS	2
OPERATIONAL PERFORMANCE INDICATORS	3
KEY EXECUTIVES.....	4
BOARD OF DIRECTORS	5
EXECUTIVE TEAM.....	6
ORGANIZATIONAL CHART	7
COMPANY SUMMARY	8
DIRECTOR'S REPORT	9
AUDITED FINANCIAL STATEMENT.....	12
OFFICE DIRECTORY.....	48

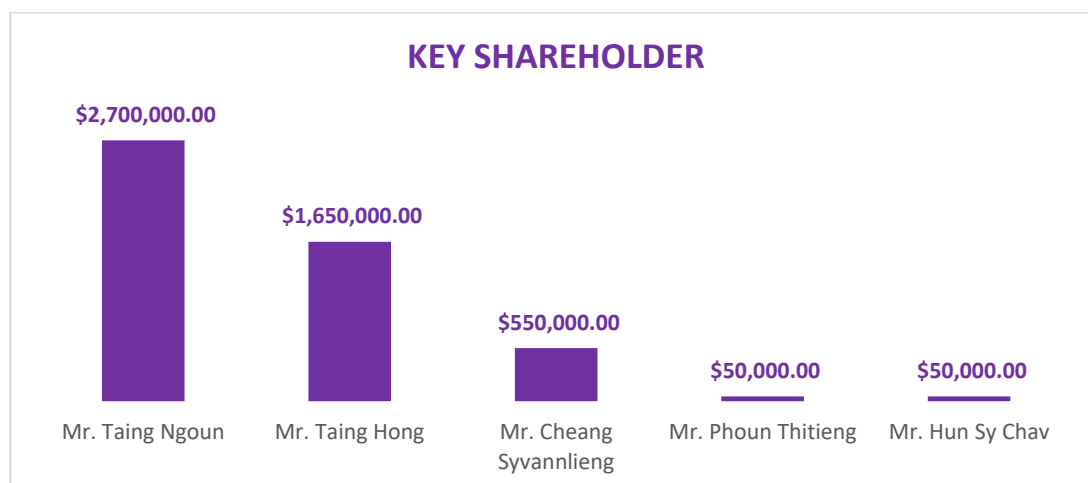
SAMRITHISAK – VISION AND MISSION



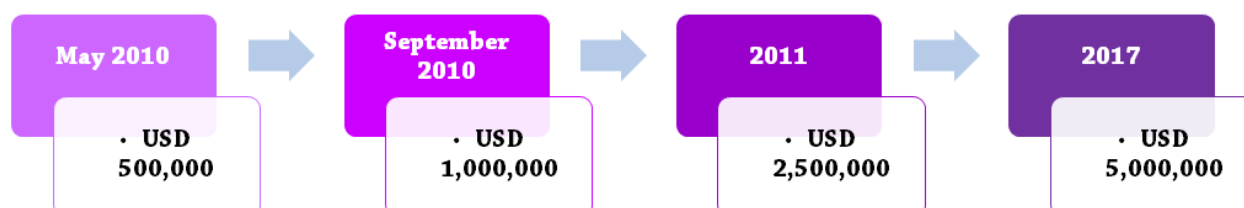
SAMRITHISAK – OVERVIEW

Founded in 2010, SAMRITHISAK Microfinance Limited, under an initiative concept of Mr. Taing Ngoun and other 4 Cambodian investors.

Samrithisak provides full option of lending products to customers including long-term and short-term loan.

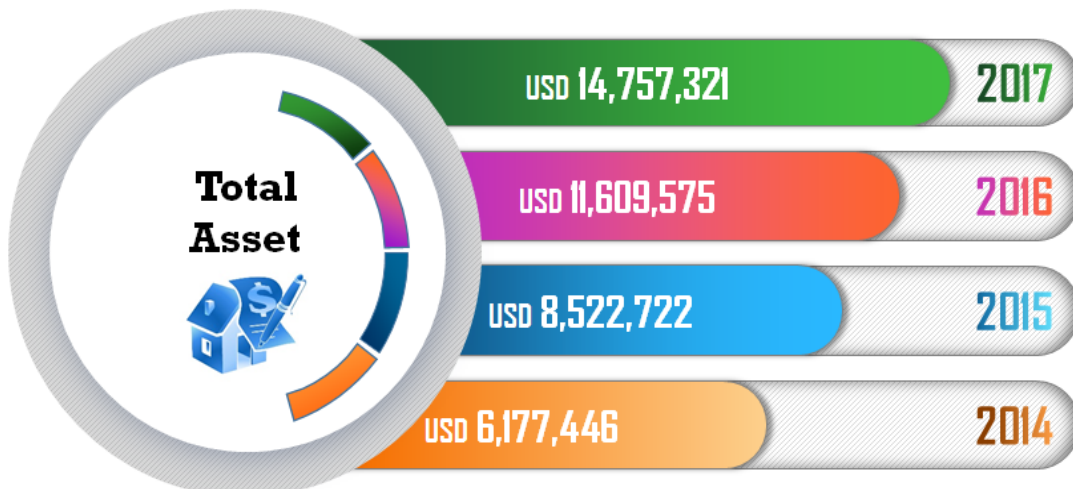
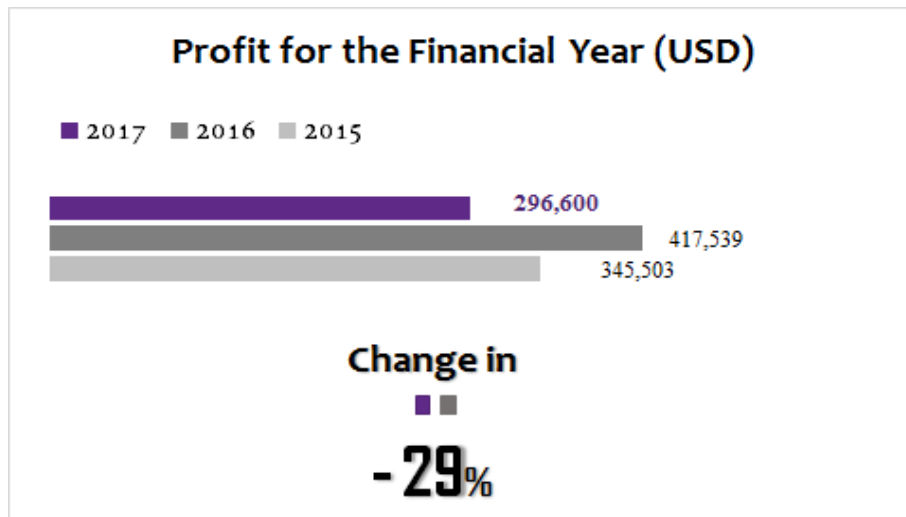
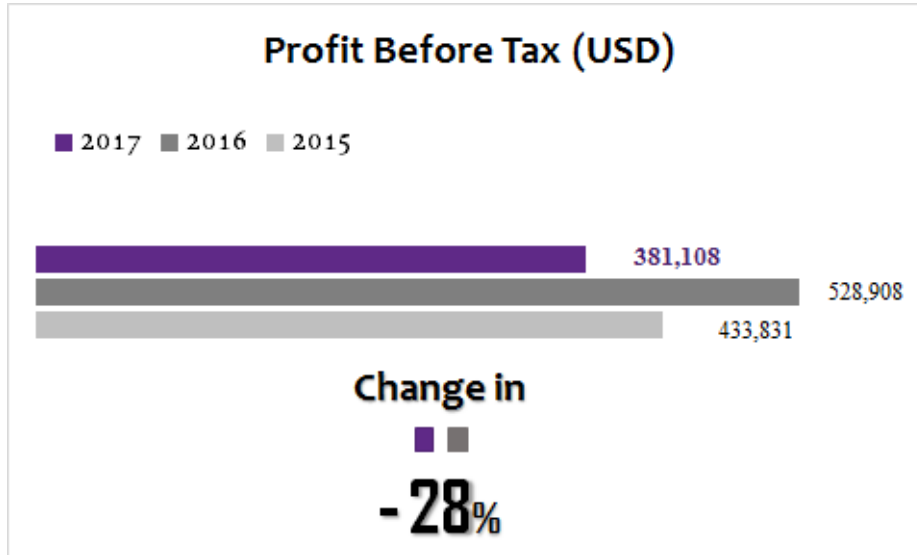


Paid Up Capital

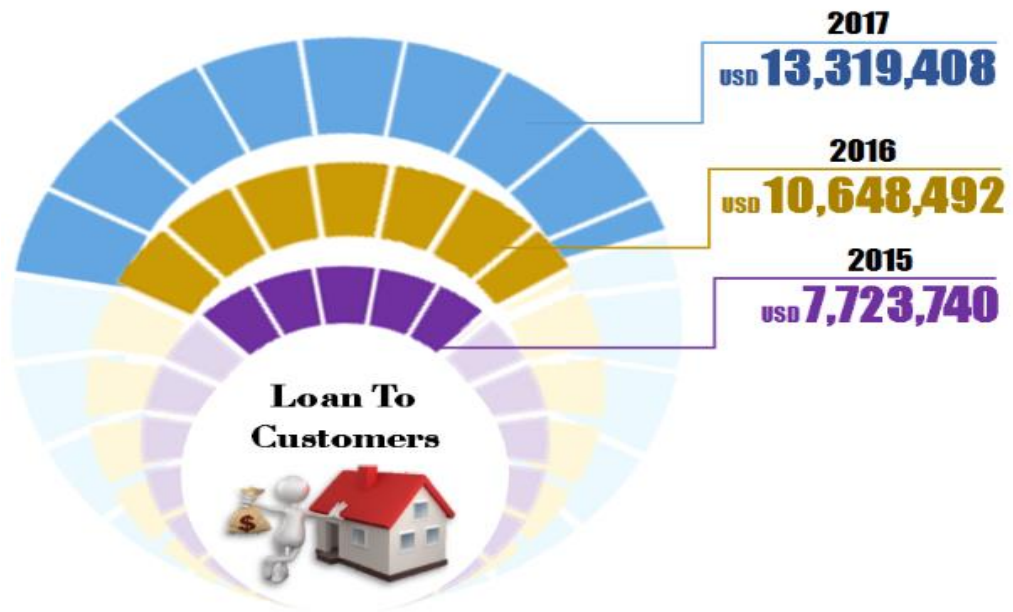


FINANCIAL PERFORMANCE INDICATORS

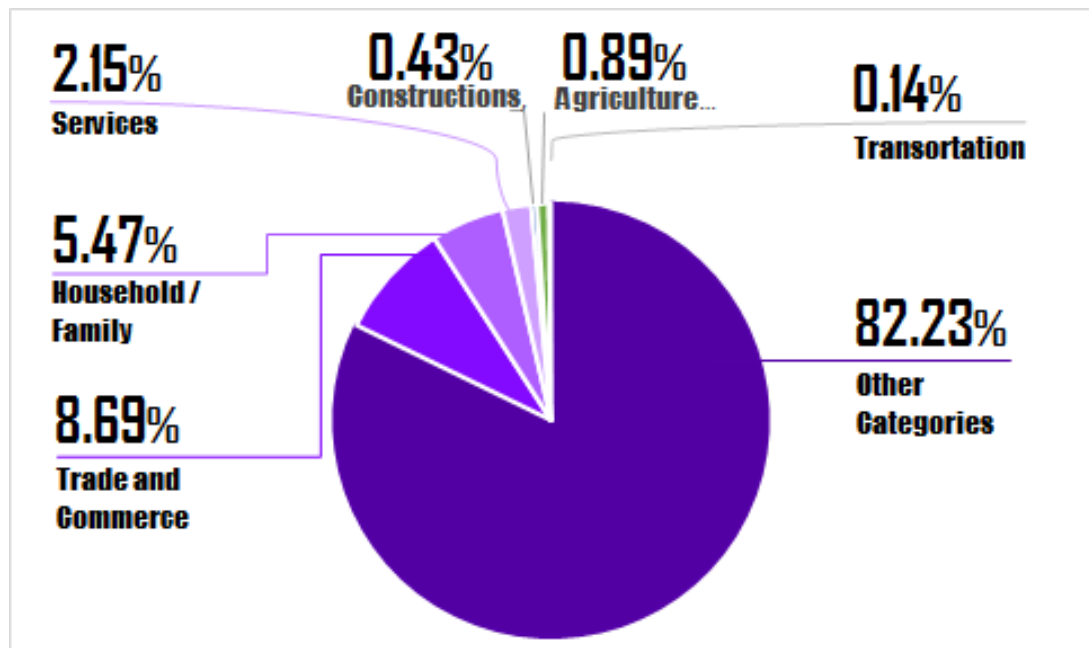
Financial Position (United States Dollar)



OPERATIONAL PERFORMANCE INDICATORS



Loan Product by Purpose





KEY EXECUTIVES

EXECUTIVE MANAGEMENT TEAM

- ❖ **Taing Ngoun**
Appointed as Chief Executive Officer of SAMRITHSAK in 2010
- ❖ **Bun Zhicheav**
Formerly served as Deputy Chief Executive Officer of SAMRITHSAK in 2010
- ❖ **Sum Sovansathya**
Formerly served as General Manager of SAMRITHSAK in 2016

BOARD OF DIRECTOR

- ❖ **Taing Hong**
Appointed as Chairman of Board of Director in August 2017.
- ❖ **Taing Ngoun**
Appointed as Deputy Chairman of the Board of Director in August 2017
- ❖ **Cheang Sivanleang**
Formerly served as Member of the Board in 2010.

BOARD OF DIRECTORS

TAING HONG, Chairman ▶

Mr. **TAING HONG** was a Chairman of the Board of Directors of SAMRITHISAK Microfinance in 2017. He was born in 1969, Cambodian nationality. Since 1990, now a day, he was the successful investor. He was a shareholder and member of board of director of Sporting Live Group Co., Ltd and Mekong Cleaner Group Co., Ltd. He obtained Bachelor of General Management.



◀ TAING NGOUN, Deputy Chairman & CEO

Mr. **TAING NGOUN** was a Deputy Chairman of the Board of Directors of SAMRITHISAK Microfinance in 2017. He was born in 1969, Cambodian nationality. Since 1990, now a day, he was the successful investor. He was a shareholder and member of board of director of Sporting Live Group Co., Ltd and Mekong Cleaner Group Co., Ltd. He obtained Bachelor of General Management.



◀ CHEANG SIVANLEANG, MEMBER

Mr. **CHEANG SIVANLEANG** was a member of the Board of Directors of SAMRITHISAK Microfinance in 2010. He was born in 1955, Cambodian nationality. Since 1990, now a day, he was the successful investor. He was a shareholder and chairman of board of director of Mekong Cleaner Group Co., Ltd and a member of board of director of Mekong Cleaner Group Co., Ltd and CFIS Co., Ltd. He obtained Bachelor of Business Management.



EXECUTIVE TEAM

Mr. TAING NGOUN, Chief Executive Officer



Mr. TAING NGOUN had worked for SAMRITHISAK in 2010 position as Chief Executive Officer.

He obtained Bachelor of General Management at National University of Management in 2000.

Before he had worked in SAMRITHISAK, he had been as member of board of director of Sporting Live Group Co., Ltd and Mekong Cleaner Group Co., Ltd in Cambodia.

Mr. BUN ZHICHEAV, Deputy Chief Executive Officer

Mr. BUN ZHICHEAV had worked for SAMRITHISAK in 2010 position as Deputy Chief Executive Officer. He obtained Bachelor of Banking and Financial at BBU University and presently he is pursuing his Master' degree in General Management at BBU University. He participated in training courses related management.

Before he had worked in SAMRITHISAK, he had been as Chief of Marketing of THIASARA Co., Ltd in 2004 in Cambodia.

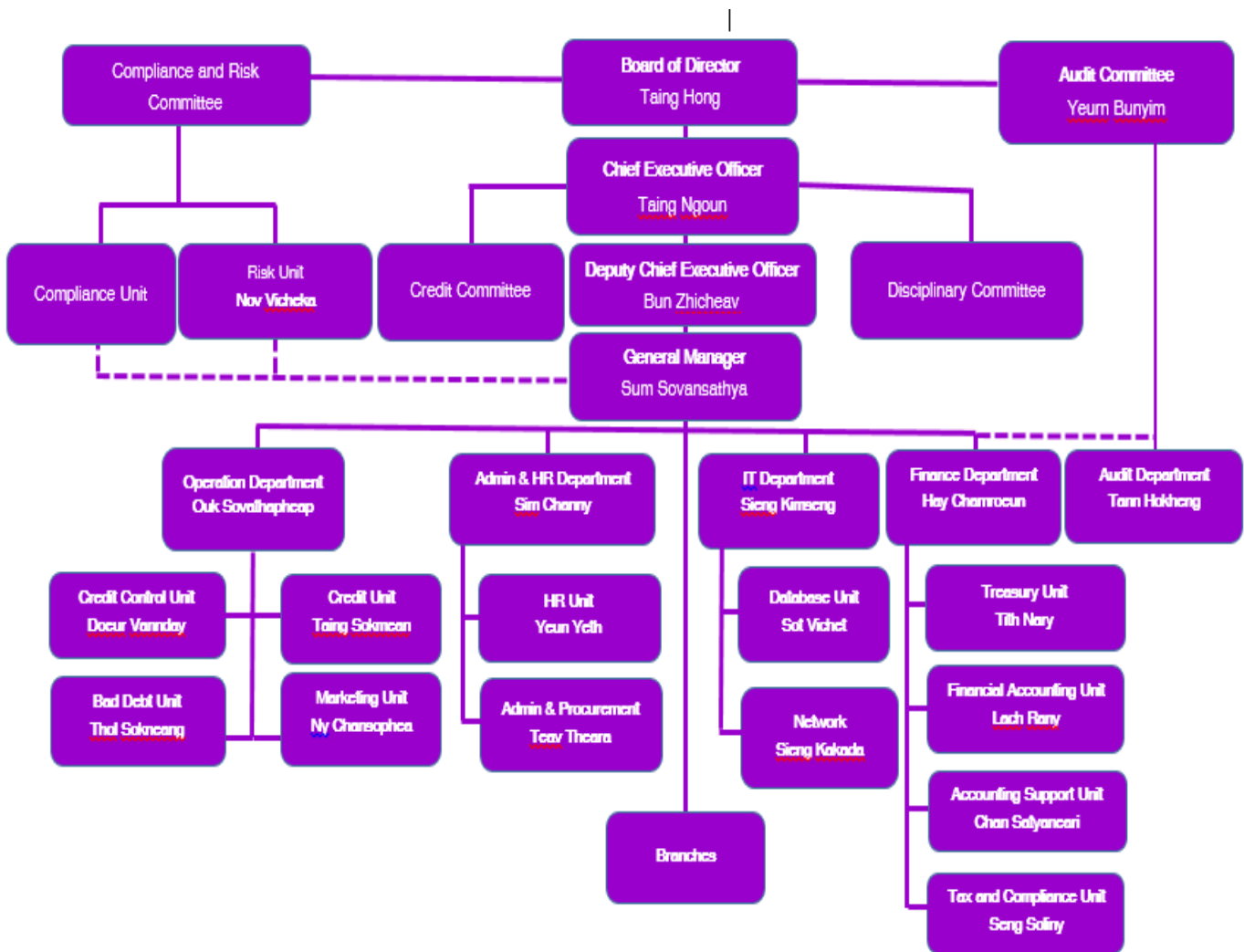


Mr. SUM SOVANSATHYA, General Manager



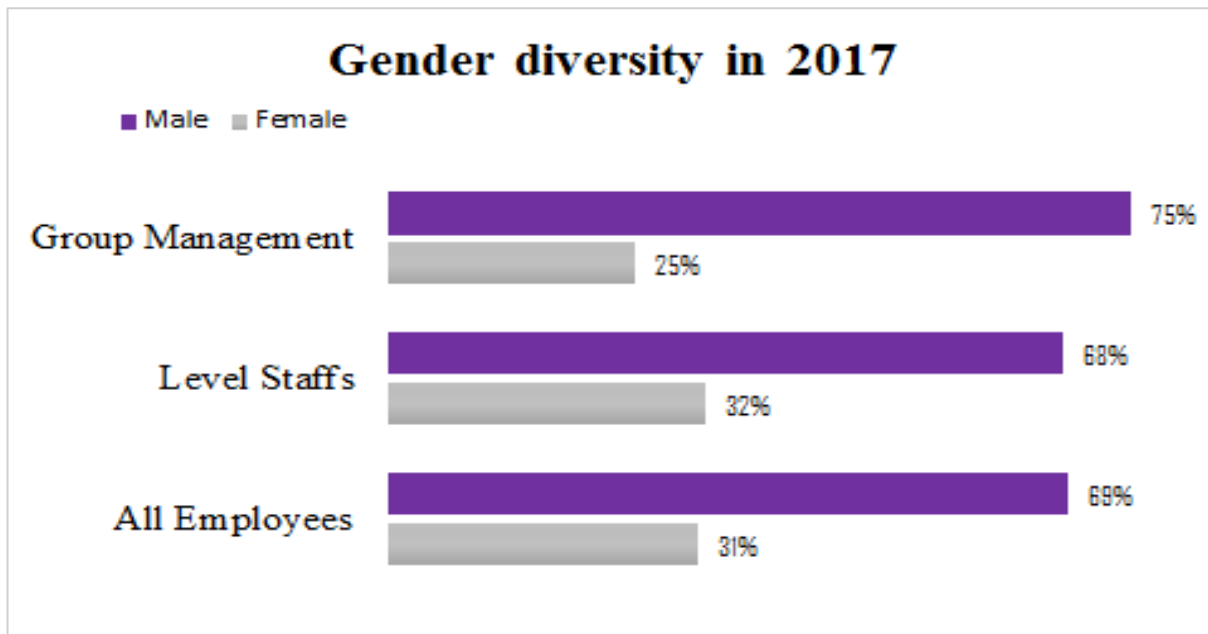
Mr. SUMSOVANSATHYA had worked for SAMRITHISAK in 2010 position as Financial and Accounting Manager. He was promoted to General Manager in April 2016. He obtained Bachelor of Accounting in 2004. He obtained Master's degree in Financial Management at National University of Management in 2012. He participated in training course such as Acleda's Bank Branch Management, Cash flow forecasting and Liquidity Management, Practical Credit Audit, Effective Administration, Effective Management Teller Operation, Practical Financial and Accounting Management, Practical Planning and Budgeting, Practical Loan Assessment, Financial Statement Analysis for Financial Institutions, Human Resource Management, Practical Internal

ORGANIZATIONAL CHART



COMPANY SUMMARY

Name of Company	: SAMRITHISAK Microfinance Limited
Business type	: Private Limited Company
Registration Number	: Co-0485 KH/2010
Registered Office	: 502G - 502H, Monivong Boulevard, Sangkat Tonle Basac, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia
Auditor	: BDO (Cambodia) Limited
Employees	: 131 (Graph below shows the Gender Diversity Statistic of SRS)



DIRECTOR'S REPORT

The Directors have pleasure in submitting their report and the audited financial statements of Samrithisak Microfinance Limited (“the Company”) for the financial year ended 31 December 2017.

Principal activity

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

Results of operations

	US\$	KHR'000
Profit for the financial year	<u>296,600</u>	<u>1,197,374</u>

Dividends

The Directors do not recommend the payment of any dividend for the current financial year.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the current financial year.

Bad and doubtful loans

Before the income statement and balance sheet were made out, the Directors took reasonable steps to ascertain that proper action 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 that adequate allowance had been made for doubtful loans.

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

Current assets

Before the income statement and balance sheet were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realized in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount expected if realized.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other liabilities

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

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

- (ii) Any contingent liability of the Company which has arisen since the end of the financial year.

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

Change of circumstances

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

Items of an unusual nature

The results of the operations of the Company during the financial year were not, in the opinion of the 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 period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year for which this report is made.

Share capital

During the financial year, the registered and paid-up capital of the Company was increased from US\$2,500,000 to US\$5,000,000 by way of issuance of 25,000 new ordinary shares of US\$100 each for cash for working capital purposes.

No option to take up unissued shares in the Company was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the Company.

Directors

The Directors who have held for office since the date of the last report are:

- Taing Hong
- Taing Ngoun
- Cheang Sivanlieng
- Phan Chanraksmey (resigned on 15 November 2017)

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects 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 corporate body.

Since the end of previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the financial period then ended. In preparing these financial statements, the Directors are required to:

- (a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;
- (b) comply with the disclosure requirements of the Cambodian Accounting Standards (“CASs”) and the guidelines issued by the National Bank of Cambodia relating to the preparation and presentation of 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;
- (c) Maintain adequate accounting records and an effective system of internal controls;
- (d) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- (e) Control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 8 to 37 have been drawn up in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the financial year ended.

Signed on behalf of the Board,



Taing Ngoun
Deputy Chairman

Phnom Penh, Cambodia
Date: 18 MAY 2018

AUDITED FINANCIAL STATEMENT

Opinion

We have audited the financial statements of Samrithisak Microfinance Limited (“the Company”), which comprise balance sheet as at 31 December 2017, and income statement, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2017, and a summary of significant accounting policies, as set out on pages 8 to 37.

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

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Information Other than the Financial Statements and Auditors’ Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors’ Report but does not include the financial statements of the Company and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors'

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

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

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



Balance Sheet

AS AT 31 DECEMBER 2017

Exchange Rate : 2017: US\$1 = KHR4,037; 2016: US\$1 = KHR4,037

	2017		2016
	US\$	KHR'000	US\$
ASSETS			
Cash on hand	171,148	690,924	123,533
Balances with National Bank of Cambodia	251,471	1,015,188	125,969
Balances with other banks	424,252	1,712,705	321,602
Loans to customers	13,319,408	53,770,450	10,648,492
Other receivables	146,660	592,066	140,617
Property and equipment	439,848	1,775,666	245,340
Intangible asset	4,534	18,304	4,022
TOTAL ASSETS	14,757,321	59,575,303	11,609,575
LIABILITIES AND EQUITY			
LIABILITIES			
Borrowings	7,686,426	31,030,102	7,295,659
Other payables	223,454	902,084	231,153
Current tax liabilities	62,984	254,266	94,906
TOTAL LIABILITIES	7,972,864	32,186,452	7,621,718
EQUITY			
Share capital	5,000,000	20,185,000	2,500,000
Retained earnings	1,784,457	7,203,851	1,487,857
TOTAL EQUITY	6,784,457	27,388,851	3,987,857
TOTAL LIABILITIES AND EQUITY	14,757,321	59,575,303	11,609,575

Income Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017		2016
	US\$	KHR'000	US\$
Interest income	2,050,396	8,277,449	1,768,234
Interest expense	(306,481)	(1,237,264)	(289,001)
Net interest income	1,743,915	7,040,185	1,479,233
Allowance for doubtful loans	(66,626)	(268,969)	(42,208)
Other operating income	181,806	733,951	72,700
Personnel expenses	(1,008,563)	(4,071,569)	(626,677)
Depreciation and amortization expenses	(127,170)	(513,385)	(100,175)
General and administrative expenses	(342,254)	(1,381,680)	(253,965)
Profit before tax	381,108	1,538,533	528,908
Tax expense	(84,508)	(341,159)	(111,369)
Profit for the financial year	296,600	1,197,374	417,539

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2016	2,500,000	1,070,318	3,570,318
Profit for the financial year	-	417,539	417,539
Balance as at 31 December 2016/ 1 January 2017	2,500,000	1,487,857	3,987,857
Profit for the financial year	-	296,600	296,600
Transaction with owners			
Share issue	2,500,000	-	2,500,000
Balance as at 31 December 2017	5,000,000	1,784,457	6,784,457
<i>(KHR'000 equivalent)</i>	<i>20,185,000</i>	<i>7,203,851</i>	<i>27,388,851</i>

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017		2016
	US\$	KHR'000	US\$
Cash flows from operating activities			
Profit before tax	381,108	1,538,533	528,908
Adjustments for:			
Adjustment of property and equipment	2,613	10,549	-
Allowance for doubtful loans	66,626	268,969	42,208
Amortisation of intangible asset	4,534	18,304	4,023
Depreciation of property and equipment	122,636	495,082	96,152
Gain on disposal of property and equipment	(23,262)	(93,910)	-
Interest expense	306,481	1,237,264	289,001
Property and equipment written off	1,511	6,100	-
Operating profit before working capital changes	862,247	3,480,891	960,292
Changes in working capital			
Loans to customers	(2,737,542)	(11,051,456)	(2,979,000)
Other receivables	(6,042)	(24,393)	(49,100)
Other payables	(7,701)	(31,088)	84,010
Cash used in operations	(1,889,038)	(7,626,046)	(1,983,798)
Placement of statutory deposit	(125,000)	(504,625)	-
Income tax paid	(116,430)	(470,026)	(93,856)
Net cash used in operating activities	(2,130,468)	(8,600,697)	(2,077,654)
Cash flows from investing activities			
Purchase of property and equipment	(358,006)	(1,445,270)	(162,518)
Purchase of intangible asset	(5,046)	(20,371)	(8,045)
Proceeds from disposal of property and equipment	60,000	242,220	-
Net cash used in investing activities	(303,052)	(1,223,421)	(170,563)
Cash flows from financing activities			
Drawdown of borrowings	2,407,100	9,717,463	3,246,000
Repayments of borrowings	(2,016,332)	(8,139,936)	(678,209)
Interest paid	(306,481)	(1,237,264)	(289,001)
Proceeds from issuance of ordinary shares	2,500,000	10,092,500	-
Net cash from financing activities	2,584,287	10,432,763	2,278,790

Net increase in cash and cash equivalents	150,767	608,645	30,573
Cash and cash equivalents at beginning of financial year	446,104	1,800,922	415,531
Cash and cash equivalents at end of financial year	596,871	2,409,567	446,104

Cash and cash equivalents comprise the following:

	2017		2016
	US\$	KHR'000	US\$
Cash on hand	171,148	690,924	123,533
Balance with National Bank of Cambodia (excluding statutory deposit)	1,471	5,938	969
Balances with other banks	424,252	1,712,705	321,602
	596,871	2,409,567	446,104

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. CORPORATE INFORMATION

The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a financial institution on 25 May 2010.

The registered office and principal place of business of the Company is No. 502G - 502H, Monivong Boulevard, Sangkat Tonle Basac, Khan Chomkarmorn, Phnom Penh, Kingdom of Cambodia.

The financial statements are presented in United States Dollar (“US\$”), which is also the Company’s functional currency.

The financial statements were authorised for issue by the Board of the Directors on 18 May 2018.

2. PRINCIPAL ACTIVITY

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

3. BASIS OF PREPARATION

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

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

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss items in foreign currencies at the end of the reporting year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the end of the

reporting year, US\$1 = KHR4,037 (2016: US\$1 = KHR4,037). Such conversions should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into US\$ at this or any other rate of exchange.

4.2 Balance with National Bank of Cambodia

Balances with National Bank of Cambodia represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions (“LBFI”). Statutory deposits are not available to finance the Company’s day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

4.3 Balances with other banks

Balances with other banks are carried at placement value.

4.4 Loan to customers

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

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

4.5 Allowance for bad and doubtful loans

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

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

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

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

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

4.6 Property and equipment

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

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

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

Depreciation is calculated to write off the cost of assets to their residual value over the following estimated useful lives and methods:

Leasehold improvement	20 years	straight-line
Motor vehicles	4 years	declining balance
Furniture and fittings	4 years	declining balance
Office equipment	4 years	declining balance
Computers equipment	2 - 5 years	declining balance
Other assets	5 years	declining balance

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

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

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

4.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is

recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

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

4.8 Impairment of assets

(a) Financial assets

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

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

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

All impairment losses are recognised in income statement.

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

(b) Non-financial assets

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

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

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

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

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in the income statement when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in the income statement immediately.

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in the income statement.

4.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

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

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

4.10 Provisions

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

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

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

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

4.11 Income taxes

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

(a) Current tax

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

(b) Deferred tax

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the consolidated balance sheet and their corresponding tax bases. The tax bases of assets are determined by the consequences of sale of the assets.

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

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in the income statement.

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

4.12 Interest income recognition

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

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

4.13 Fee and commission income recognition

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

4.14 Related parties

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

Under the LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Company.

4.15 Employee benefits

(a) Short term employee benefits

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

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

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

(b) Pension fund

Pension fund is a post-employment benefit plan under which an entity pays fixed contributions into a separate bank account. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees at a rate of 5% on gross salary per month for those who has worked with the Company more than one year.

The fund will be fully paid to the employee upon their resignation/termination of employment with the company.

(c) Termination benefits

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

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

4.16 Operating leases

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

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

4.17 Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency translations and balances

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

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

5.1 Statement of compliance with CASs and basis of preparation

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

The accounting principles applied may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards of the country of the reader. Accordingly, the financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Kingdom of Cambodia and furthermore their use is not designed for those who are not informed about Cambodia’s principles, procedures and practices.

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

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

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

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

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

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

6.2 Critical judgments made in applying accounting policies

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

6.3 Key sources of estimation uncertainty

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

(a) Depreciation of property and equipment

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

(b) Impairment on loans to customers

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

(c) Tax expense

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

7. CASH ON HAND

	2017		2016
	US\$	KHR'000	US\$
Cash on hand	171,148	690,924	123,533

8. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2017		2016
	US\$	KHR'000	US\$
Statutory deposit	250,000	1,009,250	125,000
Current account	1,471	5,938	969
	<u>251,471</u>	<u>1,015,188</u>	<u>125,969</u>

Statutory deposit

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

9. BALANCES WITH OTHER BANKS

	2017		2016
	US\$	KHR'000	US\$
Advanced Bank of Asia Limited	658	2,656	9,396
Asia Cash Express Plc.	100,304	404,927	70,777
Canadia Bank Plc	39,756	160,495	32,098
Hattha Kaksekar Limited	210,022	847,859	127,687
PRASAC Microfinance Institution Limited	47,394	191,330	50,628
RHB Indochina Bank Limited	17,150	69,235	16,230
SHB Plc Phnom Penh Branch	1,390	5,611	760
WING (Cambodia) Limited Specialised Bank	7,578	30,592	14,026
	<u>424,252</u>	<u>1,712,705</u>	<u>321,602</u>

10. LOANS TO CUSTOMERS

	2017		2016
	US\$	KHR'000	US\$
Individual loans	13,410,511	54,138,233	10,684,347
Allowance for doubtful loans	(91,103)	(367,783)	(35,855)
	<u>13,319,408</u>	<u>53,770,450</u>	<u>10,648,492</u>

(a) Allowance for doubtful loans

	2017		2016
	US\$	KHR'000	US\$
Balance at beginning of year	35,855	144,747	12,040
Allowance for the year	66,626	268,969	42,208
	<u>102,481</u>	<u>413,716</u>	<u>54,248</u>

Written off	(11,378)	(45,933)	(18,393)
Balance at end of year	91,103	367,783	35,855

(b) By maturity

	2017		2016
	US\$	KHR'000	US\$
Within one year	413,923	1,671,007	603,661
From one to five years	12,017,614	48,515,038	9,542,803
Over five years	978,974	3,952,188	537,883
	13,410,511	54,138,233	10,684,347

(c) By currency

	2017		2016
	US\$	KHR'000	US\$
US Dollar	13,410,511	54,138,233	10,684,347

(d) By economic sector

	2017		2016
	US\$	KHR'000	US\$
Agriculture	177,513	716,620	275,834
Constructions	227,782	919,556	249,009
Household/Family	1,391,408	5,617,114	1,067,079
Other categories	7,404,711	29,892,818	4,072,688
Services	561,420	2,266,453	714,165
Trade and commerce	3,607,950	14,565,294	4,082,222
Transportation	39,727	160,378	223,350
	13,410,511	54,138,233	10,684,347

(e) By relationship

	2017		2016
	US\$	KHR'000	US\$
Individual loans	13,291,532	53,657,915	10,507,360
Staff loans	118,979	480,318	176,987
	13,410,511	54,138,233	10,684,347

(f) By performance

	2017	2016
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	US\$	KHR'000	US\$
Standard loans:			
Secured	11,728,984	47,349,908	8,710,757
Unsecured	1,471,768	5,941,527	1,796,071
Sub-standard loans:			
Secured	66,840	269,833	102,497
Unsecured	4,564	18,425	19,004
Doubtful loans:			
Secured	68,161	275,166	34,989
Unsecured	9,542	38,521	11,172
Loss loans:			
Secured	44,675	180,353	827
Unsecured	15,977	64,500	9,030
	<u>13,410,511</u>	<u>54,138,233</u>	<u>10,684,347</u>

(g) By exposure

	2017		2016
	US\$	KHR'000	US\$
Large exposures	-	-	-
Non-large exposures	13,410,511	54,138,233	10,684,347
	<u>13,410,511</u>	<u>54,138,233</u>	<u>10,684,347</u>

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

11. OTHER RECEIVABLES

	2017		2016
	US\$	KHR'000	US\$
Interest receivable	109,027	440,142	100,257
Other receivables	22,535	90,973	26,610
Deposits	14,000	56,518	13,300
Prepaid insurance	1,098	4,433	450
	<u>146,660</u>	<u>592,066</u>	<u>140,617</u>

12. PROPERTY AND EQUIPMENT

	Leasehold improvement US\$	Motor vehicles US\$	Furniture and fixtures US\$	Office equipment US\$	Computer equipment US\$	Other assets US\$	Total US\$
<i>Cost</i>							
Balance as at 1.1.2016	86,068	112,500	20,416	31,899	23,298	30,339	304,520
Additions	51,793	45,525	26,434	15,014	23,752	-	162,518
Written-off	-	-	(19,323)	(29,350)	(18,282)	(30,339)	(97,294)
Balance as at 31.12.2016	137,861	158,025	27,527	17,563	28,768	-	369,744
Additions	78,050	156,430	21,665	35,230	66,631	-	358,006
Disposal	-	(95,000)	-	-	-	-	(95,000)
Reclassification	-	-	(12,542)	12,542	-	-	-
Written-off	-	-	-	-	(6,164)	-	(6,164)
Balance as at 31.12.2017	215,911	219,455	36,650	65,335	89,235	-	626,586
<i>Accumulated depreciation</i>							
Balance as at 1.1.2016	12,910	49,219	11,445	17,845	19,322	14,805	125,546
Depreciation for the financial year	6,893	27,202	11,830	19,689	15,004	15,534	96,152
Written-off	-	-	(19,323)	(29,350)	(18,282)	(30,339)	(97,294)
Balance as at 31.12.2016	19,803	76,421	3,952	8,184	16,044	-	124,404
Depreciation for the financial year	10,795	50,324	8,066	14,550	38,901	-	122,636
Adjustment	-	2,504	109	-	-	-	2,613
Disposals	-	(58,262)	-	-	-	-	(58,262)
Written-off	-	-	-	(817)	(3,836)	-	(4,653)
Balance as at 31.12.2017	30,598	70,987	12,127	21,917	51,109	-	186,738

Carrying amounts

Balance as at 31.12.2017	185,313	148,467	24,524	43,417	38,128	-	439,848
<i>(KHR'000 equivalent)</i>	<i>748,109</i>	<i>599,365</i>	<i>99,003</i>	<i>175,274</i>	<i>153,923</i>	<i>-</i>	<i>1,775,666</i>
Balance as at 31.12.2016	118,058	81,604	23,575	9,379	12,724	-	245,340

13. INTANGIBLE ASSET

	Computer software US\$
<i>Cost</i>	
Balance at 1.1.2016	-
Addition	8,045
Balance at 31.12.2016	8,045
Addition	5,046
Balance at 31.12.2017	13,091
<i>Accumulated depreciation</i>	
Balance at 1.1.2016	-
Amortisation for the year	4,023
Balance at 31.12.2016	4,023
Amortisation for the year	4,534
Balance at 31.12.2016	8,557
Carrying amount	
Balance at 31.12.2017	4,534
(KHR'000 equivalent)	18,304
Balance at 31.12.2016	4,022

Computer software is amortised over two years.

14. BORROWINGS

	2017		2016
	US\$	KHR'000	US\$
Mr. Taing Hong	2,677,400	10,808,664	3,557,400
Mr. Taing Ngoun	3,700,000	14,936,900	2,580,000
RHB Indochina Bank Limited	751,926	3,035,525	872,259
Related parties	557,100	2,249,013	286,000
	7,686,426	31,030,102	7,295,659

- (a) During the financial year, the Company entered into additional loan agreements amounting to US\$1,820,000 with Mr. Taing Ngoun, who are the shareholders of the Company. The additional loans are unsecured, bear interest at a rate of 3% to 5%

(2016: 3% to 5%) per annum and mature in three years and five years respectively, from each drawn down dates.

- (b) The borrowing from RHB Indochina Bank Limited Branch (“RHB”) bears interest at a rate of 8.55% (2016: 8.80%) per annum and is secured by properties belonging to parties related to the shareholders of the Company.
- (c) During the financial year, the Company entered into additional loan agreements amounting to US\$587,100 with related parties. The additional loans are unsecured, bear interest at a rate of 10% (2016: 10%) per annum and mature within one year from each drawn down dates.
- (d) Borrowings are denominated in US\$.

15. OTHER PAYABLES

	2017		2016
	US\$	KHR'000	US\$
Accrued performance incentive	133,617	539,412	92,195
Accrued interest payable	17,766	71,721	7,416
Other tax payables	13,783	55,642	9,636
Accrued professional fee	9,020	36,414	-
Pension fund payable	-	-	83,886
Others	49,268	198,895	38,020
	223,454	902,084	231,153

16. SHARE CAPITAL

	2017		2016	
	Number	US\$	Number	US\$
Ordinary shares of US\$100 each				
Registered	25,000	2,500,000	25,000	2,500,000
Registered and fully paid:				
At 1 January	25,000	2,500,000	25,000	2,500,000
- New issue	25,000	2,500,000	-	-
At 31 December	50,000	5,000,000	25,000	2,500,000

The analysis of the shareholdings is as follows:

	2017		2016	
	Number of shares	Amount US\$	Number of shares	Amount US\$

Mr. Taing Ngoun	27,000	2,700,000	12,000	1,200,000
Mr. Taing Hong	16,500	1,650,000	6,500	650,000
Mr. Cheang Syvannlieng	5,500	550,000	5,500	550,000
Mr. Phoun Thitieng	500	50,000	500	50,000
Mr. Hun Sy Chav	500	50,000	500	50,000
	<u>50,000</u>	<u>5,000,000</u>	<u>25,000</u>	<u>2,500,000</u>

During the financial year, the registered and paid-up capital of the Company was increased from US\$2,500,000 to US\$5,000,000 by way of issuance of 25,000 new ordinary shares of US\$100 each for cash for working capital purposes.

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

17. INTEREST INCOME

	2017		2016
	US\$	KHR'000	US\$
Loans to customers	2,002,868	8,085,578	1,768,090
Deposits and placements with banks	47,528	191,871	144
	<u>2,050,396</u>	<u>8,277,449</u>	<u>1,768,234</u>

18. INTEREST EXPENSE

	2017		2016
	US\$	KHR'000	US\$
Interest on borrowings from:			
- Shareholders	194,438	784,946	185,704
- Term loans	70,670	285,295	80,702
- Related parties	41,373	167,023	22,595
	<u>306,481</u>	<u>1,237,264</u>	<u>289,001</u>

19. OTHER OPERATING INCOME

	2017		2016
	US\$	KHR'000	US\$
Fee and commission income	95,796	386,729	62,189

Others	86,010	347,222	10,511
	181,806	733,951	72,700

20. PERSONNEL EXPENSES

	2017		2016
	US\$	KHR'000	US\$
Salaries and other benefits	907,121	3,662,047	560,653
Others	101,442	409,522	66,024
	1,008,563	4,071,569	626,677

21. DEPRECIATION AND AMORTISATION EXPENSES

	2017		2016
	US\$	KHR'000	US\$
Depreciation of property and equipment	122,636	495,082	96,152
Amortisation of intangible asset	4,534	18,303	4,023
	127,170	513,385	100,175

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2017		2016
	US\$	KHR'000	US\$
Office supplies and stationery	24,515	98,967	19,571
Association costs	2,705	10,920	1,435
Bank charges	5,899	23,814	859
Board of Directors' remuneration	16,800	67,822	16,800
Insurance	1,491	6,019	2,235
Communication	29,363	118,538	12,420
Dues and membership fees	6,556	26,467	5,781
Fines and penalties	2,248	9,075	31
Interest expense on pension funds	4,011	16,192	131
Low value tools and equipment	18,069	72,945	16,262
Marketing and advertising	9,672	39,046	7,801
Miscellaneous	44,103	178,044	38,002
Motor vehicles operating cost	23,236	93,804	15,842
Office rental	67,830	273,830	53,254
Professional fees	32,735	132,151	23,708
Repairs and maintenance	12,980	52,400	10,692

Security expenses	3,560	14,372	9,470
Travel and entertainment	11,285	45,558	261
Utilities expenses	25,196	101,716	19,410
	342,254	1,381,680	253,965

23. TAX EXPENSE

	2017		2016
	US\$	KHR'000	US\$
Income tax expense:			
Current year	84,508	341,159	111,369

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2016: 20%) of the taxable profit or a minimum tax at 1% (2016: 1%) of total revenue, whichever is higher.

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

	2017		2016
	US\$	KHR'000	US\$
Profit before tax	381,108	1,538,533	528,908
Tax at Cambodian statutory tax rate of 20% (2016: 20%)	76,222	307,708	105,782
Tax effects in respect of:			
Non-allowable expenses	11,038	44,561	5,587
Tax incentives and allowances	(2,752)	(11,110)	-
Total tax expense	84,508	341,159	111,369

24. OPERATING LEASE COMMITMENTS

The Company as lessee

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

2017	2016
------	------

	US\$	KHR'000	US\$
Not later than one year	9,558	38,586	54,672
Later than one year and not later than five years	10,272	41,468	216,464
Later than five years	48,000	193,776	84,000
	67,830	273,830	355,136

25. RELATED PARTY DISCLOSURES

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

	2017		2016
	US\$	KHR'000	US\$
<u>Shareholders</u>			
Mr. Taing Hong			
Drawdown of borrowing	-	-	1,380,000
Repayments of borrowing	880,000	3,552,560	-
Interest expense	111,992	452,112	64,936
Mr. Taing Ngoun			
Drawdown of borrowing	1,820,000	3,310,340	1,580,000
Repayments of borrowing	700,000	2,825,900	400,000
Interest expense	82,446	332,839	120,768
<u>Related parties</u>			
Bun Zhicheav, Chao Chanry, Leang Eng, Leang Leakhena, Lee Peck Kiong, Lim Lyhong Eng, Sen Sinath, Sok Lang, Taing Heang, Tha Sokchan, Tran My Linh, Vu Dinh Khoi			
Drawdown of borrowing	587,100	2,370,123	431,000
Repayments of borrowing	316,000	1,275,692	313,000
Interest expense	41,373	167,023	22,595

Balances with related parties at the end of the reporting year are disclosed in Note 14 to the financial statements.

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

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(i) Credit risk

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

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

a. Risk limit control and mitigation policies

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

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

	2017		2016
	US\$	KHR'000	US\$
Credit exposure relating to assets on the balance sheet:			
Balances with other banks	424,252	1,712,705	321,602
Loans to customers	13,410,511	54,138,233	10,684,347
Other receivables	146,660	592,066	140,617
	<u>13,981,423</u>	<u>56,443,004</u>	<u>11,146,566</u>

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

c. Loans to customers

Loans to customers are summarised as follows:

	2017		2016
	US\$	KHR'000	US\$
Loans to customers neither past due nor impaired	13,200,744	53,291,403	10,506,828
Loans to customers past due but not impaired	149,115	601,977	167,662
Loans to customers individually impaired	60,652	244,853	9,857
Gross loans	13,410,511	54,138,233	10,684,347
Allowance for doubtful loans	(91,103)	(367,783)	(35,855)
Net loans to customers	<u>13,319,408</u>	<u>53,770,450</u>	<u>10,648,492</u>

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the National Bank of Cambodia's requirements. The total allowance for doubtful loans is US\$91,103 (2016: US\$35,855), which represents the mandatory provision required by the National Bank of Cambodia and additional provision for the loan losses.

(i) Loans to customers neither past due nor impaired

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

(ii) Loans to customers past due but not impaired

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

(iii) Loans to customers individually impaired

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

(iv) Loans to customers renegotiated

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

d. Repossessed collateral

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

(ii) Interest rate risk

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

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

As at 31 December 2017	Weighted average effective interest rate %	Within one year US\$	One to five years US\$	Over five years US\$	Non-interest bearing US\$	Total US\$
Financial assets						
Cash on hand	-	-	-	-	171,148	171,148
Balances with National Bank of Cambodia:						
Statutory deposits	0.07	-	250,000	-	-	250,000
Current account	-	-	-	-	1,471	1,471
Balances with other banks	0.05	424,252	-	-	-	424,252
Loans to customers	16.65	413,923	12,017,614	978,974	-	13,410,511
Other receivables	-	-	-	-	146,660	146,660
		1,009,323	12,267,614	978,974	148,131	14,404,042
<i>(KHR'000 equivalent)</i>		4,074,637	49,524,358	3,952,118	598,005	58,149,118
Financial liabilities						
Other payables	-	-	-	-	223,454	223,454
Borrowings	7.26	557,100	7,129,326	-	-	7,686,426
		557,100	7,129,326	-	223,454	7,909,880
<i>(KHR'000 equivalent)</i>		2,249,013	28,781,089	-	902,084	31,932,186

Weighted average	Within one year	One to five years	Over five years	Non-interest bearing	Total
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As at 31 December 2016	effective interest rate					
	%	US\$	US\$	US\$	US\$	US\$
Financial assets						
Cash on hand	-	-	-	-	123,533	123,533
Balances with National Bank of Cambodia:						
Statutory deposits	0.07	-	125,000	-	-	125,000
Current account	-	-	-	-	969	969
Balances with other banks	0.05	321,602	-	-	-	321,602
Loans to customers	24.28	603,661	9,542,803	537,883	-	10,684,347
Other receivables	-	-	-	-	140,617	140,617
		925,263	9,667,803	537,883	265,119	11,396,068
Financial liabilities						
Other payables	-	-	-	-	231,153	231,153
Borrowings	6.13	286,000	7,009,659	-	-	7,295,659
		286,000	7,009,659	-	231,153	7,526,812

(iii) Liquidity risk

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

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

	On demand or within one year US\$	One to five years US\$	Over five years US\$	Total US\$
At 31.12.2017				
Other payables	223,454	-	-	223,454
Borrowings	557,100	6,377,400	751,926	7,686,426
	780,554	6,377,400	751,926	7,909,880
<i>(KHR '000 equivalent)</i>	<i>3,151,097</i>	<i>25,745,564</i>	<i>3,035,525</i>	<i>31,932,186</i>

	On demand or within one year US\$	One to five years US\$	Over five years US\$	Total US\$
At 31.12.2016				
Other payables	231,153	-	-	231,153
Borrowings	286,000	6,137,400	872,259	7,295,659
	517,153	6,137,400	872,259	7,526,812

(iv) Foreign currency risk

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

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

(v) Capital management

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

The table below summarises the composition of regulatory capital:

	2017		2016
	US\$	KHR'000	US\$
Share capital	5,000,000	20,185,000	2,500,000
Retained earnings	1,784,457	7,203,851	1,487,857
	<u>6,784,457</u>	<u>27,388,851</u>	<u>3,987,857</u>

27. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

28. COMPARATIVE FIGURES

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

	As restated US\$	As previously stated US\$
Balance sheet		
Assets		
Balances with National Bank of Cambodia	125,969	125,000
Balances with other banks	321,602	322,571
Other receivables	140,617	161,135
Liabilities		
Other payables	<u>231,153</u>	<u>251,671</u>
Income statement		
Allowance for doubtful loans	(42,208)	-
Personnel expenses	(626,677)	-
Depreciation and amortisation expenses	(100,175)	-
Interest expense	(289,001)	(289,713)
General and administrative expenses	(253,965)	-
Other operating expenses	<u>-</u>	<u>(1,022,313)</u>

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