



សម្រិទ្ធស័ក

SAMRITHISAK

ដើម្បីអារិយធម៌កម្ពុឃ្លាតមុខគេជាតិច្ច



2018

ANNUAL REPORT



www.samrithisak.com

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SAMRITHISAK – VISION AND MISSION



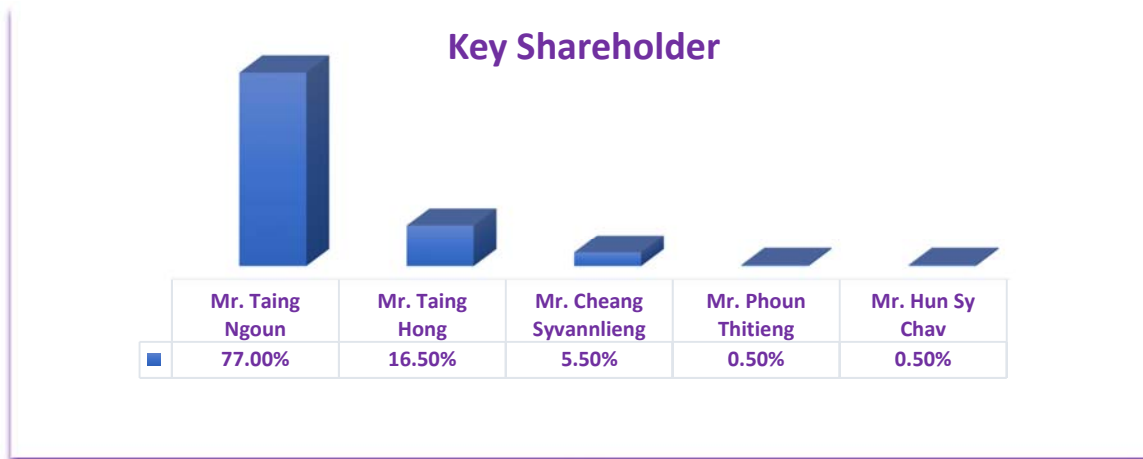
Provide opportunities for people to improve their lives through Samrithisak Microfinance Limited services that are competitive, equality and ensuring sustainable and interests of customers, shareholders, employees and society.

Samrithisak Microfinance Limited is the first choice of customers and a leading microfinance institution in providing microfinance services.

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.



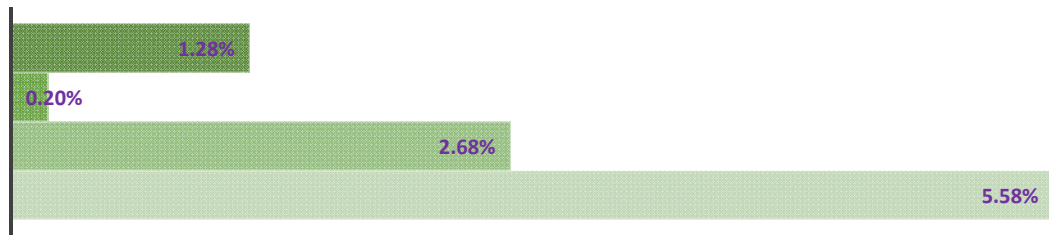
Paid Up Capital



FINANCIAL PERFORMANCE INDICATORS

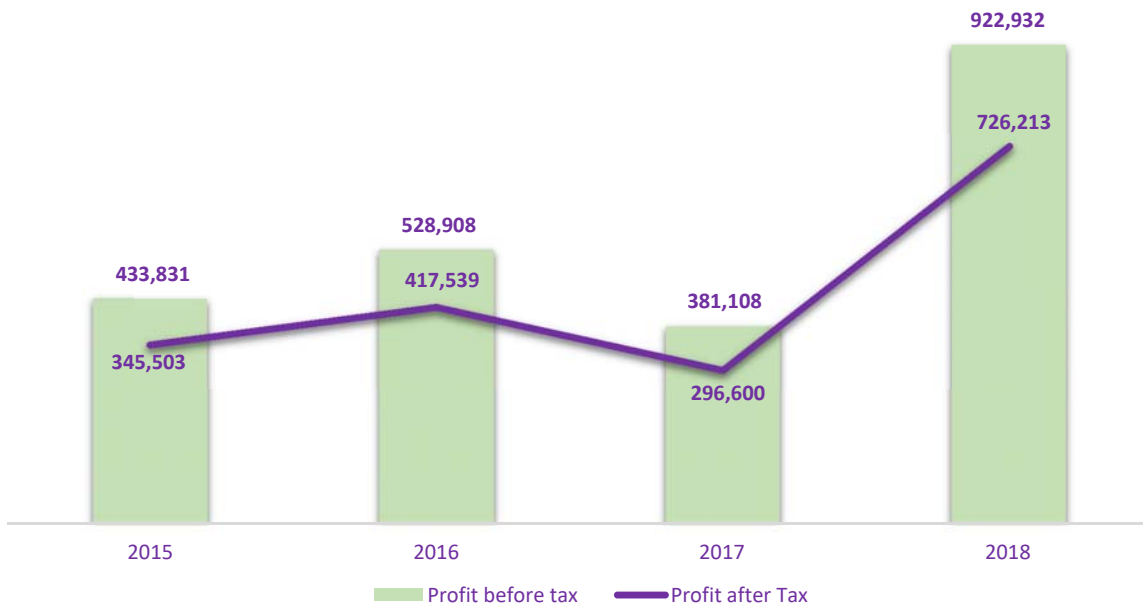
	2015	2016	2017	2018
Total Asset	8,522,722	11,630,093	14,757,321	24,709,247
Total Equity	3,570,318	3,987,857	6,784,457	12,510,670
Gross Loan Portfolio	7,711,700	10,648,492	13,319,408	23,022,427
Number of Client	1,247	1,859	2,797	2,877

Financial Hightligh

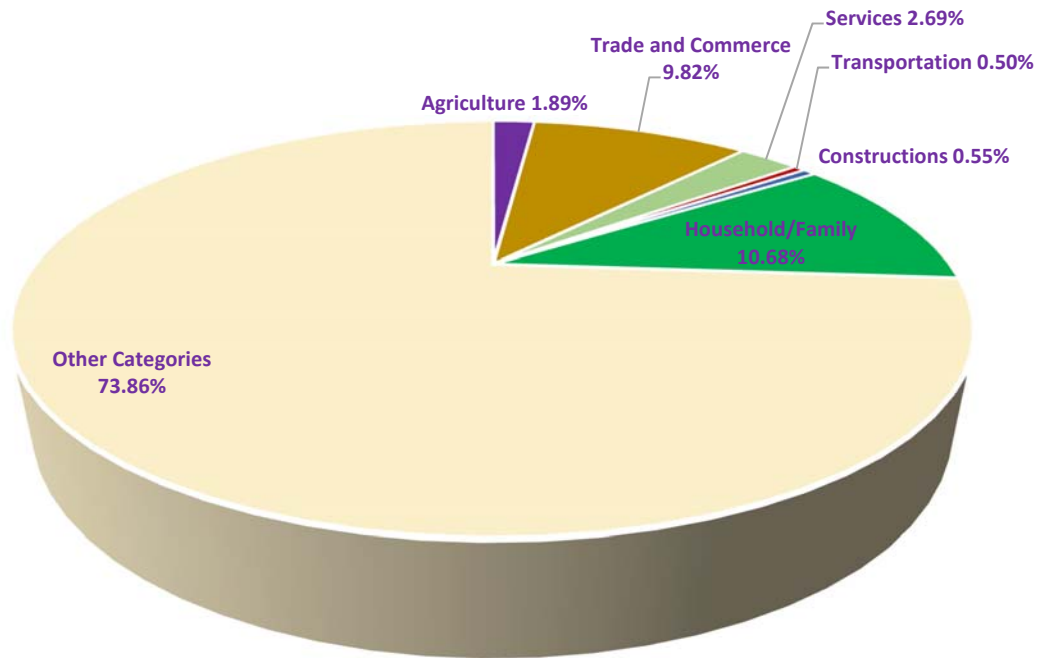


Operating Cost	1.28%
Funding Cost	0.20%
ROA	2.68%
ROE	5.58%

Profit and Loss statement



Loan Product by Prupose



KEY EXECUTIVES

EXECUTIVE MANAGEMENT TEAM

- * **Taing Ngoun**
Appointed as Chief Executive Officer of SAMRITHISAK in 2010
- * **Bun Zhicheav**
Formerly served as Deputy Chief Executive Officer of SAMRITHISAK in 2010
- * **Ouk Sovatheapheap**
Appointed as General Manager of SAMRITHISAK in 2018.

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 Sivanlieng**
Formerly served as Member of the Board in 2010.

BOAR OF DIRECTORS

TAING HONG, Chairman

Mr. Taing Hong was a Chairman of the Board of Director of SAMRITHISAK Microfinance in 2017. He was born in 1969, Cambodia nationality. Since 1990, now a day, he was the successful investor. He 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 Chairman of the Board of Director of SAMRITHISAK Microfinance in 2017. He was born in 1969, Cambodia nationality. Since 1990, now a day, he was the successful investor. He 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 SIVANLIENG, Member

Mr. Cheang Sivanlieng 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. He obtained Bachelor of Business Management.



EXECUTIVE TEAM

Mr. TAING NGOUN, CHIEF EXECUTIVE OFFICER (CEO)



Mr. Taing Ngoun had worked for SAMRITHISAK in 2010 position as General Director. 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 (DCEO)

Mr. Bun Zhicheav had worked for SAMRITHISAK in 2010 position as Vice Director. 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. OUK SOVATHEAPHEAP, GENERAL MANAGER



Mr. Ouk Sovatheapheap had worked for SAMRITHISAK MFI on September 05, 2017 as position of Head of Operation Department. He graduated Master Degree of Banking and Financial at BBU University Phnom Penh, Cambodia. Otherwise He participated in various training courses related management as Leadership, Effective of Credit Management, Effective of Branch Management, Strategic of Problem Solving, Human Resource Management and others. Before he had worked in SAMRITHISAK MFI, he had been worked for PRASAC MFI for 12 years as following position: Regional Manager, Branch Manager and Credit Officer.

SIENG KIMSENG, HEAD OF IT DEPARTMENT

Mr. Sieng Kimseng joined SAMRITHISAK as Head of IT in December 2017. Before joining SAMRITHISAK, he worked for various MFIs as system consultant on core banking system, an IT Manager in the period of time from 2006 to 2017 and was a software project manager, computer programming lecturer at university in 2001 to 2006. He holds a bachelor's degree in Computer Science, and is pursuing the master degree of computer science. He has attended numerous professional courses including Operacy course, corporate governance and leadership to be successful.



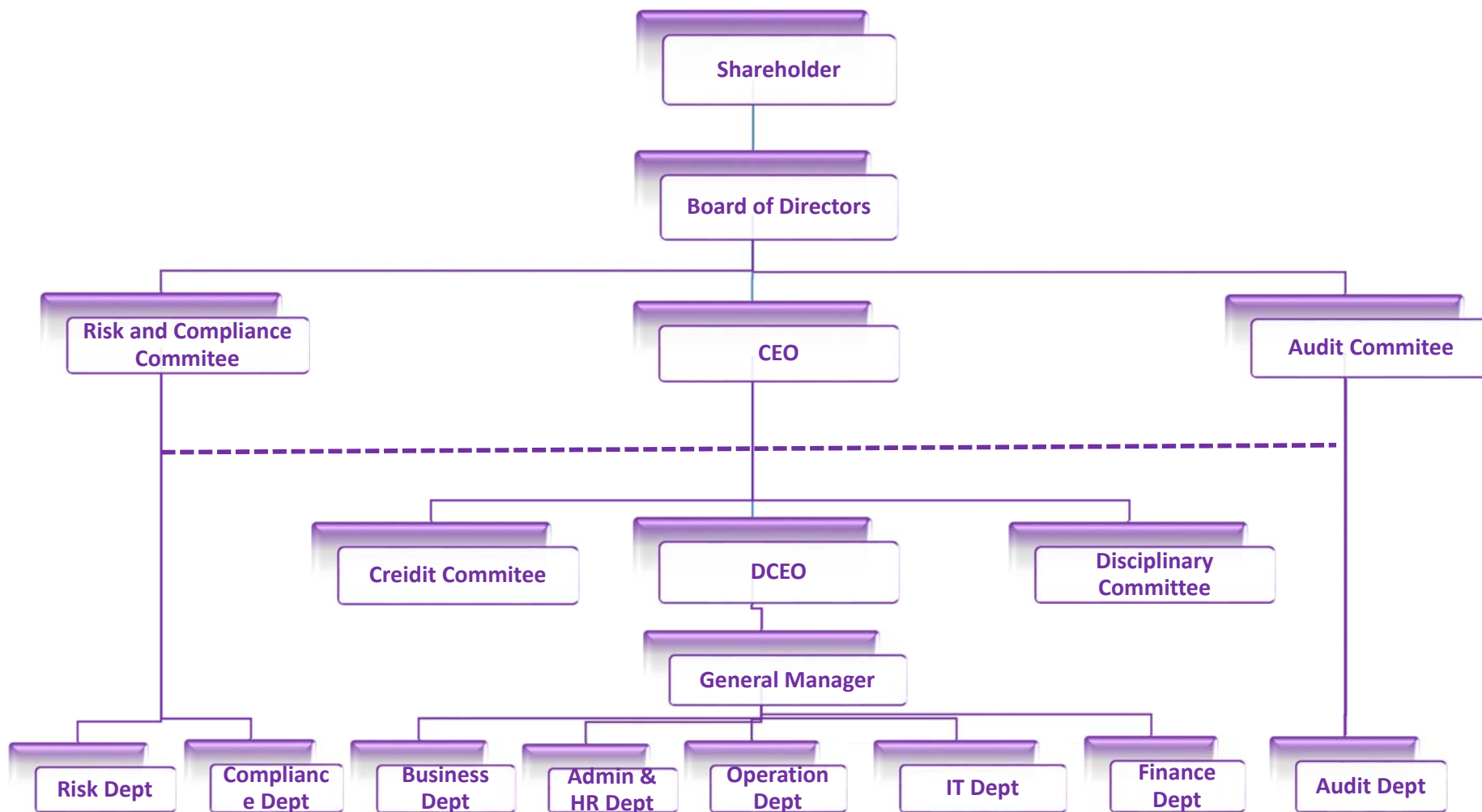
TANN HOKHENG, HEAD OF INTERNAL AUDIT DEPARTMENT



Mr. Tann Hokheng is the Head of Internal Audit Department at SAMRITHISAK. He joined SAMRITHISAK in January 2018. Prior to this, he worked as Head of Internal Audit Department at another MFI and Specialized Bank in 2011 and as Senior Internal Auditor for MFI in 2009. He is holding a bachelor's degree in Accounting in National University of Management (NUM). He has attended numerous professional courses including oversea training with CARD MFI and BANK at Philippine country and IT Assurance and Security Audit with Sunrise Institution and other microfinance-related courses. He is well conversed in English and Khmer.



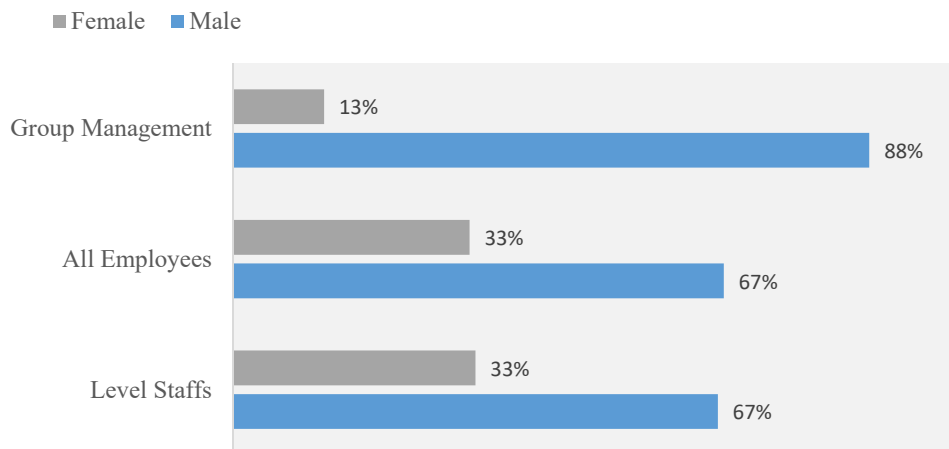
ORGANIZATIONAL CHART



COMPANY SUMMARY

Name of Company : SAMRITHISAK Microfinance Limited
Business Type : Private Limited Company
Resister Number : Co-0485 KH/2010
Registration Office : 502G - 502H, Monivong Boulevard, Sangkat Tonle Basac,
Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia
Auditor : PricewaterhouseCoopers (Cambodia) Ltd.
Employee : 206

Gender Diversity in 2018



DIRECTORS' REPORT

The Board of Directors (“the Directors”) is pleased to present its report and the audited financial statements of Samrithisak Microfinance Limited (“the Company”) for the year ended 31 December 2018.

THE COMPANY

Samrithisak Microfinance Limited. (the Company) was incorporated as public limited company in the Kingdom of Cambodia under the registration number Co-0485 KH/2010 dated 04 March 2010 with the Ministry of Commerce. On 25 May 2010, the Company obtained license from the National Bank of Cambodia (the Central Bank) to operate as a micro-finance institution.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide micro finance services in order to contribute to the Cambodia socio-economic development with the purpose of upgrading living standards of people in the communities focusing on increasing income through the promotion of business activities of small and medium enterprises, trades, and rural agriculture using lending and saving services with rational interest so as to ensure long-term sustainability of the Company and its customers.

FINANCIAL PERFORMANCE

The financial performance of the Company for the year ended 31 December 2018 is set out in the income statement on page 8 of the financial statements.

SHARE CAPITAL

The registered and paid-up capital of the Company is disclosed in the Note 15 to the financial statements.

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans or making of allowances 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 and based on the best of knowledge, the Directors are 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 drawn up, the Directors took reasonable steps to ensure that any assets that were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and

no contingent liability in respect of the Company that has arisen since the end of the 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 12 months after the end of the year that, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become 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 the financial statements of the Company which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

There were no items, transactions or events of a material and unusual nature that, in the opinion of the Directors, materially affected the financial performance of the Company for the year ended 31 December 2018.

There has not arisen in the interval between the end of the year 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 current year.

THE BOARD OF DIRECTORS

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

Mr. Taing Hong	Chairman
Mr. Taing Ngoun	Vice President
Mr. Cheang Sivanlieng	Member

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements are properly drawn up, so as to 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 Directors are required to:

adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;

comply with the disclosure requirements of the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there have been any departures in the interest of true and fair presentation, ensure they have been appropriately disclosed, explained and quantified in the financial statements; maintain adequate accounting records and an effective system of internal controls; prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and set overall policies for the Company, ratify all decisions and actions by the Directors that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with these requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, which 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

guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards were approved by the Board of Directors.



On behalf of the Board of Directors

Mr. Taing Hong
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 29 MAR 2019

To the Shareholders of Samrithisak Microfinance Limited

Our opinion

In our opinion, the financial statements of Samrithisak Microfinance Limited (“the Company”) present fairly, in all material respects, the financial position as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

What we have audited

The Company’s financial statements comprise:

the balance sheet as at 31 December 2018;

the income statement for the year then ended;

the statement of changes in equity for the year then ended;

the cash flow statement for the year then ended; and

The notes to the financial statements, which include a summary of significant accounting policies

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 *Auditor’s responsibilities for the audit of the financial statements* section of our report.

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

Independence

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 the requirements of Kampuchea Institute of Certified Public Accountant and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code.

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is directors' report and appendix notes on requirement with the Central Bank's Prakas but does not include the financial statements and our auditor's report thereon.

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 identified above 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 auditor's 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 guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards, 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.

Auditor's 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 auditor's 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 scepticism 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 auditor's 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 auditor's 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 PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim

Partner

Phnom Penh, Kingdom of Cambodia

Date: 29 March 2019

SAMRITHISAK MICROFINANCE LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Note	As at 31 December 2018		As at 31 December 2017	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	108,674	436,653	171,148	690,924
Cash wallet balance	5	164,191	659,719	107,882	435,519
Balances with the Central Bank	6	502,796	2,020,234	251,471	1,015,188
Balances with banks and other financial institutions	7	108,025	434,044	316,370	1,277,186
Loans to customers	8	23,022,427	92,504,112	13,319,408	53,770,450
Other assets	9	250,262	1,005,553	146,660	592,066
Property and equipment	10	479,139	1,925,181	439,848	1,775,666
Intangible assets	11	3,246	13,042	4,534	18,304
Deferred tax assets	22	70,487	283,217	-	-
TOTAL ASSETS		24,709,247	99,281,755	14,757,321	59,575,303
LIABILITIES AND EQUITY					
LIABILITIES					
Borrowings	12	11,697,556	47,000,780	7,686,426	31,030,102
Other liabilities	13	175,145	703,733	223,454	902,084
Current income tax liabilities	22	233,809	939,445	62,984	254,266
Senior payment obligations	14	92,067	369,926	-	-
TOTAL LIABILITIES		12,198,577	49,013,883	7,972,864	32,186,452
EQUITY					
Share capital	15	10,000,000	40,180,000	5,000,000	20,185,000
Retained earnings		2,510,670	10,087,872	1,784,457	7,203,851
TOTAL EQUITY		12,510,670	50,267,872	6,784,457	27,388,851
TOTAL LIABILITIES AND EQUITY		24,709,247	99,281,755	14,757,321	59,575,303

SAMRITHISAK MICROFINANCE LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	For the year ended 31 December 2018		For the year ended to 31 December 2017	
		US\$	KHR'000	US\$	KHR'000
Interest income	16	3,042,606	12,225,191	1,980,062	7,993,510
Interest expense	17	(434,532)	(1,745,950)	(306,481)	(1,237,264)
Net interest income		<u>2,608,074</u>	<u>10,479,241</u>	<u>1,673,581</u>	<u>6,756,246</u>
Other operating income	18	535,162	2,150,281	251,652	1,015,919
Operating income		<u>3,143,236</u>	<u>12,629,521</u>	<u>1,925,233</u>	<u>7,772,165</u>
Personnel expenses	19	(1,315,474)	(5,285,575)	(1,008,563)	(4,071,569)
Depreciation and amortisation charges	20	(126,738)	(509,233)	(127,170)	(513,385)
General and administrative expenses	21	(533,324)	(2,142,896)	(341,766)	(1,379,710)
Operating profit		<u>1,167,700</u>	<u>4,691,817</u>	<u>447,734</u>	<u>1,807,501</u>
Provision for impairment losses on loans, advances and financing	22	(244,768)	(983,478)	(66,626)	(268,969)
Profit before income tax		<u>922,932</u>	<u>3,708,339</u>	<u>381,108</u>	<u>1,538,532</u>
Income tax expense	23	(196,719)	(790,417)	(84,508)	(341,159)
Profit for the year		<u>726,213</u>	<u>2,917,922</u>	<u>296,600</u>	<u>1,197,373</u>

SAMRITHISAK MICROFINANCE LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>Attributable to the owners of the Company</u>		
	<u>Share capital US\$</u>	<u>Retained earnings US\$</u>	<u>Total US\$</u>
For the year ended 31 December 2017			
Balance as at 1 January 2017	2,500,000	1,487,857	3,987,857
Additional paid up capital	2,500,000	-	2,500,000
Profit for the year	-	296,600	296,600
	<u>5,000,000</u>	<u>1,784,457</u>	<u>6,784,457</u>
Balance as at 31 December 2017			
<i>In KHR' 000 equivalent</i>	<u>20,185,000</u>	<u>7,203,851</u>	<u>27,388,851</u>
For the year ended 31 December 2018			
Balance as at 1 January 2018	5,000,000	1,784,457	6,784,457
Additional paid up capital	5,000,000	-	5,000,000
Profit for the year	-	727,416	727,416
	<u>10,000,000</u>	<u>2,511,873</u>	<u>12,511,873</u>
Balance as at 31 December 2018			
<i>In KHR' 000 equivalent</i>	<u>40,180,000</u>	<u>10,092,706</u>	<u>50,272,706</u>

Note	<u>For the year ended 31 December 2018</u>		<u>For the year ended to 31 December 2017</u>	
	<u>US\$</u>	<u>KHR'000</u>	<u>US\$</u>	<u>KHR'000</u>
Cash flow from operating activities				
Profit before income tax	922,932	4,691,817	381,108	1,538,533
Adjustments for:				
Provision for bad and doubtful loans	7 244,768	983,478	66,626	268,969
Depreciation charge	19 123,492	496,191	122,636	495,082
Amortisation charge	19 3,246	13,042	4,534	18,303
Seniority payment obligations		369,925	-	-
Gain on disposal of property and equipment	-	-	(16,633)	(67,147)
Net interest income	15 (2,720,215)	(10,929,824)	(1,743,915)	(7,040,185)
	<u>(1,333,710)</u>	<u>(5,358,849)</u>	<u>(1,185,644)</u>	<u>(4,786,444)</u>
Changes in working capital:				
Loans to customers	7 (9,946,584)	(39,965,375)	(2,737,542)	(11,051,457)
Other assets	(13,322)	(53,528)	2,727	11,009
Other liabilities	11,036	44,343	(18,049)	(72,864)
Cash used in operations	<u>(11,374,647)</u>	<u>(45,703,334)</u>	<u>(3,938,508)</u>	<u>(15,899,756)</u>

SAMRITHISAK MICROFINANCE LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Interest income received		3,064,467	12,313,028	2,041,626	8,242,043
Interest expense paid		(401,809)	(1,614,469)	(296,131)	(1,195,482)
Income tax paid	21	(96,381)	(387,259)	(116,430)	(470,028)
Net cash used in operating activities		<u>(8,808,370)</u>	<u>(35,392,034)</u>	<u>(2,309,443)</u>	<u>(9,323,222)</u>
Cash flows from investing activities					
Capital guarantee with the Central Bank		(250,000)	(1,004,500)	(125,000)	(504,625)
Purchases of property and equipment	10	(162,784)	(654,066)	(358,006)	(1,445,270)
Purchases of intangible assets	11	(1,958)	(7,867)	(5,046)	(20,371)
Proceeds from disposals of property and equipment		-	-	57,494	232,103
Net cash used in investing activities		<u>(414,742)</u>	<u>(1,666,433)</u>	<u>(430,558)</u>	<u>(1,738,163)</u>
Cash flows from financing activities					
Proceeds from additional paid-up capital		5,000,000	20,090,000	2,500,000	10,092,500
Proceeds from borrowings		5,171,000	20,777,078	2,407,100	9,717,462
Repayments of borrowings		(1,159,870)	(4,660,358)	(2,016,332)	(8,139,932)
Net cash generated from financing activities		<u>9,011,130</u>	<u>36,206,720</u>	<u>2,890,768</u>	<u>11,670,030</u>
Net (decrease)/increase in cash and cash equivalents		(211,982)	(851,747)	150,767	608,644
Cash and cash equivalents at beginning of the year		596,871	2,409,567	446,104	1,800,922
Currency translation differences		-	(11,335)	-	-
Cash and cash equivalents at the end of the year	22	<u>384,889</u>	<u>1,546,485</u>	<u>596,871</u>	<u>2,409,567</u>

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

1. BACKGROUND INFORMATION

Samrithisak Microfinance Limited. (the Company) was incorporated as a public limited company in the Kingdom of Cambodia under the registration number Co-0485 KH/2010 dated 04 March 2010 with the Ministry of Commerce. On 25 May 2010, the Company obtained license from the National Bank of Cambodia (the Central Bank) to operate as a micro-finance institution.

The Company is principally engaged in providing micro financial services and other related financial services within the scope of micro-finance license in Cambodia.

The registered office of the Company is located #502G-502H, Preah Movivong Blvd, Sangkat Tonle Basak, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

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

2. SUMMARY OF 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 years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards (CAS). In applying CAS, the Company also applies Cambodian Financial Reporting Standard (CFRS) CFRS 7: *Financial Instruments: Disclosures*. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodia accounting principles, procedures and practices.

The preparation of financial statements in accordance with the guidelines issued by the National Bank of Cambodia and CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in financial reporting framework

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 Accounting Standard Board (“IASB”), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting year beginning on or after 01 January 2012.

Circular No. 058 MoEF.NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to delay adoption of CIFRS until years beginning on or after 1 January 2019.

Circular No. 004 MoEF.NAC dated 3 January 2019 issued by the National Accounting Council regarding to the adoption of CIFRS for banks and financial institution by 1 January 2019. The Circular defined the definition of public accountable entity and non-public accountable entity. Any public accountable entities are required to adopt CIFRS, and non-public accountable entities are required to adopt either CIFRS or CIFRS for Small and Medium-sized Entities (“CIFRS for SMEs”).

The Company is defined as a non-public accountable entity, so it is required to adopt either CIFRS or CIFRS for SMEs on 1 January 2019.

CAS, the current accounting standard used, is different to CIFRS for SMEs in many areas. Hence, the adoption of CIFRS for SMEs will have some impacts on the financial statements of the Company.

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). The US\$ reflects the economic substance of underlying events and circumstances of the Company. The financial statements are therefore presented in US\$, which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than US\$, the functional and presentation currency, are translated into US\$ at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rate of monetary

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

assets and liabilities denominated in currencies other than US\$ are recognised in the income statement.

(iii) Presentation in Khmer Riel

For the sole regulatory purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation into Khmer Riel ('KHR') is provided for the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements as at 31 December 2018 using the official exchange rate published by the Central Bank as at the reporting date, which was US\$1 equal to KHR 4,018 (31 December 2017: US\$1 to KHR 4,037). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be converted into KHR at that or any other rate.

2.4 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of three months or less from the date of acquisition, including cash on hand, the non-restricted balances with the Central Bank and balances with banks and other financial institutions.

2.5 Loans to customers

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

Loans are written off when there is no realistic prospect of recovery. Recovery of previously written-off loans to customers is recognised in the income statement.

2.6 Provision for financial facilities

The Company follows the mandatory financial facilities classification and provisioning as required by the Central Bank's Prakas No.B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. Loans and advances, other financial products and off balance sheet financial commitments are classified into five classifications and the minimum regulatory provision is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral, unless other information is available to indicate worsening.

Provision for loans and advances are presented as reduction from loans and advances.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Provision for financial facilities (continued)

Provision for balances and placements with other banks and financial institutions are presented as reduction from balances and placements with other banks and financial institutions.

The table below shows the classifications and minimum regulatory provisioning requirements:

New Prakas No. B7-017-344			Old Prakas No. B7-02-186		
Facility classification	Number of days past due	Provision	Asset classification	Number of days past due	Provision
Short term			Short term		
General provision:			General provision:		
Normal	Less than 15 days	1%	Standard	0 - 30 days	0%
Specific provision:			Specific provision:		
Special mention	15 days - 30 days	3%	Substandard	31 - 60 days	10%
Substandard	31 days - 60 days	20%	Doubtful	61 - 90 days	30%
Doubtful	61 days - 90 days	50%	Loss	Over 90 days	100%
Loss	91 days or more	100%			
Long term			Long term		
General provision:			General provision:		
Normal	Less than 30 days	1%	Standard	0 - 30 days	0%
Specific provision:			Specific provision:		
Special mention	30 days - 89 days	3%	Substandard	31 - 180 days	10%
Substandard	90 days - 179 days	20%	Doubtful	181 - 360 days	30%
Doubtful	180 days - 359 days	50%	Loss	Over 360 days	100%
Loss	360 days or more	100%			

The change in provision during the year followed the requirement of the Central Bank's Prakas so the impact of the change applies prospectively. If the Company applied the new regulatory provisioning requirement in the prior year, the additional provisions for financial facilities of US\$153,677 would have been recognised in the prior year.

2.7 Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property and equipment (continued)

All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation of property and equipment is calculated on the declining balance method to write off the cost of each asset to its residual values over the shorter of its estimated useful life as follows:

	<i>Useful lives</i>	<i>Depreciation method</i>
Leasehold improvements	Shorter of its lease period and its economic life	straight-line
Motor vehicles	4 years	declining balance
Office equipment	4 years	declining balance
IT and computer equipment	2 - 5 years	declining balance
Furniture and fixtures	4 years	declining balance
Other assets	5 years	declining balance

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.8 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised over their estimated useful lives of 5 years using straight-line method.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets (continued)

Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Any impairment loss is charged to income statement in the period in which it arises. Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

2.10 Borrowings

Borrowings are recognised at cost and subsequently stated at the outstanding principal and interest amount.

2.11 Senior payment obligations

The amended labour law dated 26 June 2018 and the ministerial Prakas No. 443 MLVT/Br.k dated 21 September 2018 introduced seniority payment obligations from 1 January 2019 and the payments are to be made every six month on 30 June and 31 December for unspecified duration employment contract (UDC). It also requires to back pay seniority payments up to 31 December 2018 for staff who had worked for the Company before 31 December 2018 and still continue working with the Company. The past seniority payment depends on each staff past services and shall not exceed six months of average gross salaries. It will be paid at 7.5 days every six month along side with new seniority payment.

The past seniority liability was recognised at the present value of defined obligation at the reporting period. The present value of the past seniority payment is determined by discounting the estimate future payments by references to current market interest rate in the industry.

2.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Provisions

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.13 Interest income and expense recognition

Interest income on loans to customers, balances with the Central Bank and balances with banks are recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest income on loans to customers is suspended until it is realised on a cash basis.

Interest expenses on borrowings are recognised on an accrual basis.

2.14 Fee and commission income

Fees and commissions represent for loan processing fees and administrative fees that are recognised as income when loan is disbursed. It also includes the operation fees which are charged monthly when the interest is paid by the customers.

2.15 Operating leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in country where the Company operates and generates taxable income.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Current and deferred income tax (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.17 Related party transactions

Parties are considered to be related 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 closed family members of any individual considered to be a related party.

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital of the Company or voting rights and include any individual who participates in the administration, direction, management or internal control of the Company.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements 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.

Impairment losses on financial facilities

The Company follows the mandatory financial facilities classification and provisioning as required by the Central Bank's Prakas No.B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. Loans and advances, other financial products and off balance sheet financial commitments are classified into five classifications and the minimum regulatory provision is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral. The Directors believe that the loan aging (by past due days) as a basis to determine the loan classification is appropriate to determine the adequacy of its impairment losses on financial liabilities so as to follow this Prakas.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

Seniority payment obligations

The present value of the seniority payment obligations depends on a number of factors that are determined on a basis using a number of assumptions. The assumptions used in determining the ultimate cost for seniority payment obligations include the staff turnover and discount rate. Any changes in these assumptions will impact the carrying amount of seniority payment obligations.

Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****4. CASH ON HAND**

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	108,674	436,653	171,148	690,924
	<u>108,674</u>	<u>436,653</u>	<u>171,148</u>	<u>690,924</u>

The above amounts are analysed by currency as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US Dollars	105,219	422,770	171,148	690,924
Khmer Riel	3,455	13,883	-	-
	<u>108,674</u>	<u>436,653</u>	<u>171,148</u>	<u>690,924</u>

5. CASH WALLET BALANCE

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
WING (Cambodia) Limited Specialised Bank	11,602	46,617	7,578	30,592
Asia Wei Luy Co., Ltd	80,824	324,751	96,331	388,888
Asia Cash Express Plc.	71,765	288,352	3,973	16,039
	<u>164,191</u>	<u>659,720</u>	<u>107,882</u>	<u>435,519</u>

6. BALANCES WITH THE CENTRAL BANK

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Statutory capital deposit	500,000	2,009,000	250,000	1,009,250
Current account	2,796	11,234	1,471	5,938
	<u>502,796</u>	<u>2,020,234</u>	<u>251,471</u>	<u>1,015,188</u>

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****6. BALANCES WITH THE CENTRAL BANK (continued)****Statutory capital deposit**

In compliance with Prakas B7-06-209 dated 13 September 2006 on the Licensed Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the Central Bank of 5% of paid-up capital. This deposit is refundable should the Company voluntarily liquidate.

Interest rates

The statutory capital deposit in US\$ earns interest at 0.62% per annum (2017: 0.36% per annum). The interest payment is settled semi-annually.

7. BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**By type**

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current accounts	109,228	438,878	316,370	1,277,186
Less: provision	(1,203)	(4,834)	-	-
	<u>108,025</u>	<u>434,044</u>	<u>316,370</u>	<u>1,277,186</u>

By banks and financial institutions

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Canadia Bank Plc	80,558	323,682	39,756	160,495
PRASAC Microfinance Institution Limited	12,327	49,530	47,394	191,330
Hattha Kaksekar Limited	8,248	33,140	210,022	847,859
RHB Indochina Bank Limited	2,313	9,294	17,150	69,235
ACLEDA Bank Plc	2,013	8,088	-	-
SHB Plc Phnom Penh Branch	1,699	6,827	1,390	5,611
Phnom Penh Commercial Bank Plc	977	3,926	-	-
Advanced Bank of Asia Limited	678	2,724	658	2,656
Amret Plc.	415	1,667	-	-
	<u>109,228</u>	<u>438,878</u>	<u>316,370</u>	<u>1,277,186</u>

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

8. LOANS TO CUSTOMERS

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Individual loans	23,282,714	93,549,945	13,410,511	54,138,233
	<u>23,282,714</u>	<u>93,549,945</u>	<u>13,410,511</u>	<u>54,138,233</u>
Provision for bad and doubtful loans				
Specific	(231,683)	(930,902)	(91,103)	(367,783)
General	(28,604)	(114,931)	-	-
	<u>(260,287)</u>	<u>(1,045,833)</u>	<u>(91,103)</u>	<u>(367,783)</u>
	<u>23,022,427</u>	<u>92,504,112</u>	<u>13,319,408</u>	<u>53,770,450</u>

a) Provision for bad and doubtful loans

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At beginning of year	91,103	367,783	35,855	144,747
Provision during the year	243,565	978,644	66,626	268,969
Written off	(74,381)	(300,594)	(11,378)	(45,933)
At end of year	<u>260,287</u>	<u>1,045,833</u>	<u>91,103</u>	<u>367,783</u>

Loans to customers are analysed as follows:

b) By classification:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Standard loans:				
Secured	22,083,001	88,729,498	11,728,984	47,349,908
Unsecured	1,085,276	4,360,639	1,471,768	5,941,527
Special mention loans:				
Secured	32,426	130,288	-	-
Unsecured	5,662	22,750	-	-
Substandard loans:				
Secured	39,045	156,883	66,840	269,833
Unsecured	2,185	8,779	4,564	18,425

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Doubtful loans:				
Secured	20,068	80,633	68,161	275,166
Unsecured	11,741	47,175	9,542	38,521
Loss loans:				
Secured	1,371	5,509	44,675	180,353
Unsecured	1,939	7,791	15,977	64,500
	<u>23,282,714</u>	<u>93,549,945</u>	<u>13,410,511</u>	<u>54,138,233</u>

8. LOANS TO CUSTOMERS (continued)

c) By maturity:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Within one year	642,737	2,582,517	413,923	1,671,007
From one to five years	11,716,619	47,077,375	12,017,614	48,515,108
Over five years	10,923,358	43,890,053	978,974	3,952,118
	<u>23,282,714</u>	<u>93,549,945</u>	<u>13,410,511</u>	<u>54,138,233</u>

d) By industry:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Household/Family	15,135,266	60,813,499	8,473,645	34,208,105
Trade and commerce	4,944,799	19,868,202	3,607,950	14,565,294
Services	1,486,496	5,972,741	561,420	2,266,453
Agriculture	449,752	1,807,104	177,513	716,620
Constructions	218,825	879,239	227,782	919,556
Transportation	79,095	317,804	39,727	160,378
Other categories	968,481	3,891,356	322,474	1,301,827
	<u>23,282,714</u>	<u>93,549,945</u>	<u>13,410,511</u>	<u>54,138,233</u>

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

f) By relationship:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
External customers	22,822,910	91,702,452	13,291,532	53,657,915
Staff loans	459,804	1,847,493	118,979	480,318
	<u>23,282,714</u>	<u>93,549,945</u>	<u>13,410,511</u>	<u>54,138,233</u>

g) By location:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
PHNOM PENH	9,740,284	39,136,461	7,533,307	30,411,960
KAMPONG SPEU	2,372,415	9,532,363	85,672	345,858
KANDAL	3,951,226	15,876,026	3,412,329	13,775,572
BATTAMBANG	2,935,392	11,794,405	494,436	1,996,038
TAKEO	4,175,409	16,776,793	1,795,010	7,246,455
SVAY RIENG	70,846	284,659	59,757	241,240
KAMPOT	37,142	149,238	30,000	121,110
	<u>23,282,714</u>	<u>93,549,945</u>	<u>13,410,511</u>	<u>54,138,233</u>

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****8. LOANS TO CUSTOMERS (continued)****h) By interest rate:**

The annual interest rates during the year are as follows:

	As at 31 December 2018	As at 31 December 2017
External customers	3% - 18%	3% - 36%
Staff	0% - 14.4%	0% - 14.4%

i) By currency

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US Dollars	22,521,511	90,491,431	13,410,511	54,138,233
Khmer Riel	761,203	3,058,514	-	-
	<u>23,282,714</u>	<u>93,549,945</u>	<u>13,410,511</u>	<u>54,138,233</u>

9. OTHER ASSETS

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Accrued interest receivable	199,307	800,816	109,027	440,142
Deposits	14,800	59,466	14,000	56,518
Prepayments	10,135	40,722	1,098	4,433
Other receivables	26,020	104,549	22,535	90,973
	<u>250,262</u>	<u>1,005,553</u>	<u>146,660</u>	<u>592,066</u>

All other assets except deposit are recoverable within one year from the balance sheet date.

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

10. PROPERTY AND EQUIPMENT

	Leasehold improvement US\$	Motor vehicles US\$	Office equipment US\$	IT and computer equipment US\$	furniture and fixtures US\$	Total US\$
As at 31 December 2017						
Cost	215,911	219,455	65,335	89,235	36,650	626,586
Accumulated depreciation	(30,598)	(70,987)	(21,917)	(51,109)	(12,127)	(186,738)
Net book value	<u>185,313</u>	<u>148,468</u>	<u>43,418</u>	<u>38,126</u>	<u>24,523</u>	<u>439,848</u>
In KHR'000 equivalent	<u>748,109</u>	<u>599,365</u>	<u>175,278</u>	<u>153,915</u>	<u>98,999</u>	<u>1,775,666</u>
For the year ended 31 December 2018						
As at 1 January 2018	185,312	148,468	43,417	38,126	24,525	439,848
Additions	44,981	64,225	10,587	35,361	7,630	162,784
Depreciation charge	(10,883)	(53,174)	(14,235)	(36,465)	(8,735)	(123,492)
Closing net book value	<u>219,410</u>	<u>159,519</u>	<u>39,769</u>	<u>37,022</u>	<u>23,420</u>	<u>479,140</u>
As at 31 December 2018						
Cost	260,892	283,680	75,922	126,660	44,282	791,436
Accumulated depreciation	(41,482)	(124,161)	(36,153)	(89,639)	(20,862)	(312,297)
Net book value	<u>219,410</u>	<u>159,519</u>	<u>39,769</u>	<u>37,021</u>	<u>23,420</u>	<u>479,139</u>
In KHR'000 equivalent	<u>881,589</u>	<u>640,947</u>	<u>159,792</u>	<u>148,750</u>	<u>94,102</u>	<u>1,925,181</u>

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

11. INTANGIBLE ASSETS

	Computer software US\$	Total US\$
As at 31 December 2017		
Cost	13,091	13,091
Accumulated amortisation	(8,557)	(8,557)
Net book value	<u>4,534</u>	<u>4,534</u>
In KHR' 000 equivalent	<u>18,304</u>	<u>18,304</u>
For the year ended 31 December 2018		
As at 1 January 2018	4,534	4,534
Additions	1,958	1,958
Amortisation charge	(3,246)	(3,246)
Closing net book value	<u>3,246</u>	<u>3,246</u>
As at 31 December 2018		
Cost	15,049	15,049
Accumulated amortisation	(11,803)	(11,803)
Net book value	<u>3,246</u>	<u>3,246</u>
In KHR' 000 equivalent	<u>13,042</u>	<u>13,042</u>

12. BORROWINGS

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Borrowings from non-related parties (*)	1,565,156	6,288,797	751,926	3,035,525
Borrowings from related parties	10,132,400	40,711,983	6,934,500	27,994,577
	<u>11,697,556</u>	<u>47,000,780</u>	<u>7,686,426</u>	<u>31,030,102</u>

(*) This represents borrowings from banks, and individuals with a term from one to seven years, unsecured and interest rate ranging from 3% to 10% per annum.

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****12. BORROWINGS (continued)**

The above borrowings are analysed as follows:

(a) By maturity:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current	4,524,312	18,178,686	1,982,964	8,005,226
Non-current	7,173,244	28,822,094	5,703,462	23,024,876
	<u>11,697,556</u>	<u>47,000,780</u>	<u>7,686,426</u>	<u>31,030,102</u>

(b) By currency:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US Dollar	10,998,644	44,192,552	7,686,426	31,030,102
Khmer Riel	698,912	2,808,228	-	-
	<u>11,697,556</u>	<u>47,000,780</u>	<u>7,686,426</u>	<u>31,030,102</u>

13. OTHER LIABILITIES

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Accrued interest payable	41,743	167,723	17,766	71,721
Other tax payables	23,868	95,902	13,783	55,642
Accrued performance incentive	16,009	64,324	133,617	539,412
Accrued professional fee	15,400	61,877	9,020	36,414
Other accrued expenses	77,377	310,901	49,268	198,895
Others	748	3,006	-	-
	<u>175,145</u>	<u>703,733</u>	<u>223,454</u>	<u>902,084</u>

All of these liabilities are expected to be settled within one year from balance sheet date.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. SENIORITY PAYMENT OBLIGATIONS

Total seniority payment obligation of US\$ 92,067 is accrued as at 31 December 2018 in accordance with the amended Labour Law, dated 26 June 2018, and the Prakas dated 21 September 2018 from the Ministry of Labour and Vocational Training.

15. SHARE CAPITAL

The total authorised number of shares of the Company as at 31 December 2018 was 100,000 shares with a par value of US\$100 per share. All authorised shares have been issued are fully paid up.

	2018			2017		
	Number of shares	US\$	% of shareholding	Number of shares	US\$	% of shareholding
<i>Shareholders</i>						
Mr. Taing Ngoun	77,000	7,700,000	77%	27,000	2,700,000	54%
Mr. Taing Hong	16,500	1,650,000	17%	16,500	1,650,000	33%
Mr. Cheang Sivanlieng	5,500	550,000	6%	5,500	550,000	11%
Mr. Phoun Thitieng	500	50,000	1%	500	50,000	1%
Mr. Hun Sy Chav	500	50,000	1%	500	50,000	1%
Total	<u>100,000</u>	<u>10,000,000</u>	<u>100%</u>	<u>50,000</u>	<u>5,000,000</u>	<u>100%</u>
<i>In KHR'000 equivalent</i>		<u>40,180,000</u>			<u>20,185,000</u>	

During the year, the Company increased its share capital from US\$5,000,000 to \$10,000,000. The amended Memorandum and Articles of Association for changes in registered share capital to US\$10,000,000 represented by 100,000 shares were approved by the Ministry of Commerce and the Central Bank on 02 January 2018 and 20 March 2018 respectively.

16. INTEREST INCOME

	For the year ended 31 December 2018		For the year ended to 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Interest income from:				
Loans to customers	3,038,982	12,210,630	1,932,534	7,801,640
Balances with the Central Bank	3,022	12,142	47,528	191,870
Balances with bank and other financial institutions	602	2,419	-	-
	<u>3,042,606</u>	<u>12,225,191</u>	<u>1,980,062</u>	<u>7,993,510</u>

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

17. INTEREST EXPENSE

	For the year ended 31 December 2018		For the year ended to 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<i>Borrowings:</i>				
Related parties (Note 24)	342,337	1,375,510	221,216	893,049
Non-related parties	92,195	370,440	85,265	344,215
	<u>434,532</u>	<u>1,745,950</u>	<u>306,481</u>	<u>1,237,264</u>

18. FEE AND COMMISSION INCOME

	For the year ended 31 December 2018		For the year ended to 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Fee and commission income	226,736	911,025	95,796	386,729
Penalty fee on loan prepayments	110,787	445,142	70,334	283,938
Other fees	197,639	794,114	85,522	345,253
	<u>535,162</u>	<u>2,150,281</u>	<u>251,652</u>	<u>1,015,919</u>

19. PERSONNEL EXPENSES

	For the year ended 31 December 2018		For the year ended to 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	1,124,340	4,517,598	907,121	3,662,048
Seniority payment expense	92,067	369,925	-	-
Other employee benefits	99,067	398,052	101,442	409,521
	<u>1,315,474</u>	<u>5,285,575</u>	<u>1,008,563</u>	<u>4,071,569</u>

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****20. DEPRECIATION AND AMORTISATION EXPENSES**

	For the year ended 31 December 2018		For the year ended to 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Depreciation of property and equipment	123,492	496,191	122,636	495,082
Amortisation of intangible asset	3,246	13,042	4,534	18,303
	<u>126,738</u>	<u>509,233</u>	<u>127,170</u>	<u>513,385</u>

21. GENERAL AND ADMINSTRATIVE EXPENSES

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Office rental	74,007	297,360	58,137	234,699
Staff entertainment	50,006	200,924	31,406	126,786
Communication	42,544	170,942	29,363	118,538
Repairs and Maintenance	41,102	165,148	12,980	52,400
Professional fee	38,730	155,617	21,174	85,479
Motor vehicles operating cost	37,072	148,955	23,236	93,804
Low value tools and equipment	36,864	148,120	18,069	72,945
Utilities expenses	31,907	128,202	25,196	101,716
Office supplies and stationery	26,781	107,606	24,515	98,967
Travel and entertainment	21,376	85,889	11,285	45,558
License fee	19,837	79,705	11,561	46,672
Other rental	19,435	78,090	9,693	39,131
Board of director's remuneration	18,800	75,538	16,800	67,822
Security expenses	13,419	53,918	3,560	14,372
Bank charges	10,477	42,097	5,899	23,814
Fee and commission on borrowing	9,236	37,110	21	85
Others	41,731	167,675	38,871	156,922
	<u>533,324</u>	<u>2,142,896</u>	<u>341,766</u>	<u>1,379,710</u>

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

22. PROVISION FOR IMPAIRMENT LOSS ON LOANS, ADVANCES AND FINANCING

	2018		2017	
	US\$	KHR' 000	US\$	KHR' 000
Provision for loan losses (note 8)	243,565	978,644	66,626	268,969
Provision for balances with banks and other financial institutions (Note 7)	1,203	4,834	-	-
	<u>244,768</u>	<u>983,478</u>	<u>66,626</u>	<u>268,969</u>

23. INCOME TAX EXPENSES

(i) Income tax expenses

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Income tax expense:				
Current income tax	267,206	1,073,634	84,508	341,159
Deferred income tax	(70,487)	(283,217)	-	-
	<u>196,719</u>	<u>790,417</u>	<u>84,508</u>	<u>341,159</u>

Current income tax liabilities

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	62,984	254,266	94,906	383,136
Income tax expense	267,206	1,073,634	84,508	341,159
Income tax paid	(96,381)	(387,259)	(116,430)	(470,029)
	-	(1,196)	-	-
At the end of the year	<u>233,809</u>	<u>939,445</u>	<u>62,984</u>	<u>254,266</u>

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

23. INCOME TAX EXPENSES (continued)

(iii) Reconciliation between accounting profit and income tax expense

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	922,932	3,708,339	381,108	1,538,533
Tax calculated at a rate of 20%	184,586	741,668	76,222	307,708
Tax effects of reconciling items:				
Expenses not deductibles for tax purposes	12,133	48,749	11,038	44,561
Tax incentive and allowances	-	-	(2,752)	(11,110)
	<u>196,719</u>	<u>790,417</u>	<u>84,508</u>	<u>341,159</u>

Under the Cambodian tax regulations, the Company is subject to 20% Income Tax.

Deferred income tax

	2018		2017	
	US\$	Riel'000	US\$	Riel '000
Deferred tax assets	70,487	283,217	-	-
Deferred tax liabilities	-	-	-	-
Deferred tax assets - net	<u>70,487</u>	<u>283,217</u>	<u>-</u>	<u>-</u>

The movements in deferred tax asset during the year are as follows:

	2018		2017	
	US\$	Riel'000	US\$	Riel '000
As at the beginning of the year	-	-	-	-
Credited to profit or loss	<u>70,487</u>	<u>283,217</u>	<u>-</u>	<u>-</u>
As at the end of the year	<u>70,487</u>	<u>283,217</u>	<u>-</u>	<u>-</u>

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. INCOME TAX EXPENSES (continued)

Deferred tax assets:

	General provision loan loss	Accelerated depreciation and amortisation US\$	Employee benefit obligations US\$	Total US\$
For the year ended 31 December 2018				
As at the beginning of the year	-	-	-	-
Credited to profit or loss	46,565	5,509	18,413	70,487
As at the end of the year	46,565	5,509	18,413	70,487
In Riel'000 equivalent	187,099	22,135	73,983	283,217

24. CASH AND CASH EQUIVALENTS

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	108,674	436,653	171,148	690,924
Cash wallet balance	164,191	659,720	107,882	435,519
Balances with the Central Bank – current account	2,796	11,234	1,471	5,938
Balances with banks and other financial institutions – current account	109,228	438,878	316,370	1,277,186
	384,889	1,546,485	596,871	2,409,567

25. RELATED PARTIES TRANSACTIONS

The related parties of, and their relationship with the Company are as follows:

Relationship	Related party
Shareholders	Mr. Taing Ngoun Mr. Taing Hong Mr. Cheang Sivanlieng Mr. Phoun Thitieng Mr. Hun Sy Chav

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
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Close member of the shareholders	The close members of the shareholders' family whose shareholders have significant influence or control of the Company
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

The Company entered into a number of transactions with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

Loans to key management personnel

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	24,981	100,375	2,159	8,716
Additions	95,000	381,710	26,400	106,577
Interest income	5,452	21,906	1,186	4,790
Repayments	(36,137)	(145,200)	(4,764)	(19,233)
Currency translation difference	-	-	-	-
Ending balance	<u>89,296</u>	<u>358,791</u>	<u>24,981</u>	<u>100,850</u>

The loans bear interest rates ranging from 6% to 14.4% (2017: 3% to 12%) per annum. The principals and interest expense was paid monthly in arrears. The loans are unsecured.

Borrowings from shareholders

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	6,377,400	25,745,564	6,137,400	24,776,684
Additions	3,770,000	15,147,860	2,220,000	8,962,140
Interest expense	331,246	1,330,947	178,405	720,221
Repayments	(1,281,246)	(5,148,046)	(2,158,405)	(8,713,481)
Currency translation difference	-	(121,171)	-	-
Ending balance	<u>9,197,400</u>	<u>36,955,154</u>	<u>6,377,400</u>	<u>25,745,564</u>

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****25. RELATED PARTIES TRANSACTIONS (continued)***b. Borrowings from close members of a shareholders (continued)*

Borrowings from shareholders bear interest rates ranging from 3% to 6% (2017: 3% to 5%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

Borrowings from close members of a shareholders

	31 December 2017		31 December 2016	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	304,100	1,227,653	201,000	811,437
Additions	760,000	3,053,680	304,100	1,227,652
Interest expense	2,420	9,724	42,296	170,750
Repayments	(346,520)	(1,392,317)	(243,296)	(982,186)
Currency translation difference	-	(5,780)	-	-
Ending balance	<u>720,000</u>	<u>2,892,960</u>	<u>304,100</u>	<u>1,227,653</u>

Borrowings from shareholders bear interest rates ranging from 9% to 10% (2017: 10%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

Borrowings from key management personnel

	31 December 2017		31 December 2016	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	30,000	121,110	5,000	20,185
Additions	350,000	1,406,300	25,000	100,925
Interest expense	8,875	35,660	515	2,080
Repayments	(173,875)	(698,630)	(515)	(2,080)
Currency translation difference	-	(570)	-	-
Ending balance	<u>215,000</u>	<u>863,870</u>	<u>30,000</u>	<u>121,110</u>

Borrowings from shareholders bear interest rates ranging from 6% to 10% (2017: 10%) per annum. Interest expense was paid monthly in arrears. The borrowings are unsecured.

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018***d) Key management personnel compensation*

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Salaries and other benefits	254,818	1,023,860	195,167	787,889

26. COMMITMENTS

The Company has operating leases of the Company's office. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	72,675	292,008	61,850	249,688
Later than one year and not later than five years	192,320	772,742	238,880	964,359
Later than five years	15,000	60,270	27,000	108,999
	<u>279,995</u>	<u>1,125,020</u>	<u>327,730</u>	<u>1,323,046</u>

27. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is the core of the financial business, and the operational risks are an inevitable consequence of being in business.

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swap to manage its risk exposure.

The financial assets and liabilities held by the Company are as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Cash on hand	108,674	436,652	171,148	690,924

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****27. FINANCIAL RISK MANAGEMENT (continued)**

Balances with the Central Bank (*)	2,796	11,234	1,471	5,938
Balances with banks and other financial institutions	108,025	434,044	316,370	1,277,186
Cash wallet balance	164,191	659,719	107,882	435,520
Loans to customers	23,022,427	92,504,112	13,319,408	53,770,450
Other assets	214,107	860,282	123,027	496,660
Total financial assets	23,620,220	94,906,043	14,039,306	56,676,678
Financial liabilities				
Borrowings	11,697,556	47,000,780	7,686,426	31,030,102
Other liabilities	134,520	540,501	76,054	307,030
Total financial liabilities	11,832,076	47,541,281	7,762,480	31,337,132
Net financial assets	11,788,144	47,364,762	6,276,826	25,339,546

(*) It excludes statutory capital deposit.

27.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty 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 exposures arise principally in lending activities that lead to loans to customers. Credit risks are managed and studied by the credit assessment team before loans are disbursed to customers.

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 Central Bank's guidelines.

(a) Credit risk measurement

The Company has established the Core Credit Risk Policy which is designed to govern the Company's risk undertaking activities. Extension of credit is governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation, and procedures under which a credit product will be offered and measured.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (continued)

(b) Risk limit control and mitigation policies

The Company operates and provides loans to individuals 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 in exchange for loans to customers. The Company also assess the individual cash flow to ensure the repayment capacity.

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with relevant Prakas, as stated in Note 2.6.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

Management believes that the Company's maximum exposure to credit risk is limited to the carrying amount of loans less provisions for bad and doubtful loans.

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<i>Credit exposure relating to on-balance sheet assets:</i>				
Balances with banks and other financial institutions	108,025	434,044	316,370	1,277,186
Cash wallet balance	164,191	659,719	107,882	435,520
Loans to customers	23,022,427	92,504,112	13,319,408	53,770,450
Other assets	214,107	860,282	123,027	496,660
	<u>23,508,750</u>	<u>94,458,157</u>	<u>13,866,687</u>	<u>55,979,816</u>

The above table represents a worst case scenario of credit risk exposure to the Company as at 31 December 2018, without taking account of any collateral held or other credit enhancement attached. The exposures set out above are based on net carrying amounts.

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****27. FINANCIAL RISK MANAGEMENT (continued)****27.1 Credit risk (continued)**

(d) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

As shown above, 98% (2017: 96%) of total maximum exposure is derived from loans to customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from its loans to customers on the following basis:

97.39% (2017: 99%) of the loans in the portfolio are neither past due nor impaired, and the Company introduced an even more stringent selection and collection loans process.

Balances with banks and other financial institutions were held with local banks and other deposit-taking microfinance institutions and management has done proper risk assessment and believe there will be no material loss from these banks and financial institutions.

(e) Credit quality of financial assets

Loans to customers are summarised as follows:

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Loans to customers neither past due nor impaired	22,673,900	91,103,730	13,239,943	53,449,650
Loans to customers past due but not impaired	494,817	1,988,175	29,993	121,082
Loans to customers individually impaired	113,998	458,044	140,575	567,501
Gross loans	23,282,715	93,549,949	13,410,511	54,138,233
Less:				
General provision for loan loss	231,683	930,902	-	-
Specific provision for loan loss	28,604	114,931	91,103	367,783
	260,287	1,045,833	91,103	367,783
Net loans to customers	23,022,428	92,504,116	13,319,408	53,770,450

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****27. FINANCIAL RISK MANAGEMENT (continued)****27.1 Credit risk (continued)**

In accordance with the Central Bank's requirements for the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration.

(e) Credit quality of financial assets (continued)*i) Loans to customers neither past due nor impaired*

Loans to customers' not past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans to customers that were neither past due nor impaired are as follows:

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Neither past due nor impaired	22,673,900	91,103,730	13,239,943	53,449,650

ii) Loans to customers past due but not impaired

Loans to customers past due up to special mention (2017: less than 30 days past due) are not considered impaired, unless other information is available to indicate the contrary. The gross amount of loans to customers that were past due but not impaired is as follows:

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Past due but not impaired	494,817	1,988,175	29,993	121,082

iii) Loans to customers individually impaired

In accordance with Prakas No. B7-017-344 dated 1 December 2017 on credit risk classification and provision on impairment, loans and advances past due from substandard are considered impaired.

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Past due 30-59 days	15,450	62,078	-	-
Past due 60-89 days	22,197	89,188	13,321	53,777
Past due 90 days and more	76,351	306,778	127,254	513,724
	113,998	458,044	140,575	567,501

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

iv) Loans to customers renegotiated

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring, the loan is still kept in its current classification unless there is strong evidence of improvement in the customer's financial condition.

There were no renegotiated loans to customers at 31 December 2018 (2017 Nil).

(f) Repossessed collateral

The Company did not obtain any assets by taking possession of collateral held as security during the year ended 31 December 2018.

(g) Concentration of financial assets with credit risk exposure

i) Geographical sector

There is no risk regarding the geographical sector as all loans to customers and all other assets are located in Cambodia only.

ii) Industry sector

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by the industry sectors of the counterparties.

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

(g) Concentration of financial assets with credit risk exposure (continued)

ii) *Industry sector* (continued)

	Financial institutions US\$	Agriculture US\$	Trade and commerce US\$	Services US\$	Construct ions US\$	Househo ld/family US\$	Transport ation US\$	Other catego ries US\$	Total US\$
As at 31 December 2018									
Balances with banks and other financial institutions	106,822	-	-	-	-	-	-	-	106,822
Cash wallet balances	164,191	-	-	-	-	-	-	-	164,191
Loans to customers	-	445,254	4,894,629	1,471,631	216,637	14,965,378	78,304	950,595	23,022,428
Other assets	-	3,855	42,373	27,540	1,875	129,556	678	8,229	214,106
As at 31 December 2018	271,013	449,109	4,937,002	1,499,171	218,512	15,094,934	78,982	958,824	23,507,547
In KHR'000 equivalent	1,088,930	1,804,520	19,836,874	6,023,669	877,981	60,651,445	317,350	3,852,555	94,453,324
As at 31 December 2017									
Balances with banks and other financial institutions	316,370	-	-	-	-	-	-	-	316,370
Cash wallet balances	107,882	-	-	-	-	-	-	-	107,882
Loans to customers	-	146,679	3,594,800	550,057	227,782	8,480,441	39,824	279,825	13,319,408
Other assets	-	1,201	29,426	18,503	1,865	69,417	326	2,291	123,029
As at 31 December 2017	424,252	147,880	3,624,226	568,560	229,647	8,549,858	40,150	282,116	13,866,689
In KHR'000 equivalent	1,712,705	596,992	14,631,000	2,295,277	927,085	34,515,777	162,086	1,138,902	55,979,824

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument, 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.

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure as at 31 December 2018.

i) Foreign exchange risk

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.

The Company mainly transacts in US\$, which is the Company's functional currency, and the Company does not have exposure to foreign exchange risk.

Management monitors its foreign exchange risk against functional currency through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the Central Bank.

The tables below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2018. Included in the table are the Company's financial instruments at carrying amounts less provision for loan losses by currency in US\$ equivalent.

	In US\$ equivalent		
	US\$	KHR	US\$
As at 31 December 2018			
Financial assets			
Cash on hand	105,219	3,455	108,674
Balances with the Central Bank	2,796	-	2,796
Balances with banks and other financial institutions	103,568	4,457	108,025
Cash wallet balances	163,176	1,015	164,191
Loans to customers	22,279,273	743,154	23,022,427
Other assets	208,187	5,920	214,107
Total financial assets	22,862,219	758,001	23,620,220
Financial liabilities			
Borrowings	10,998,644	698,912	11,697,556

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

Other liabilities	132,788	1,732	134,520
Total financial liabilities	<u>11,131,432</u>	<u>700,644</u>	<u>11,832,076</u>
 Net financial asset position	 <u>11,730,787</u>	 <u>57,357</u>	 <u>11,788,144</u>
 In 'HR'000 equivalent	 <u>47,134,302</u>	 <u>230,460</u>	 <u>47,364,762</u>
<i>i) Foreign exchange risk (continued)</i>			

	In US\$ equivalent		
	US\$	KHR	US\$
As at 31 December 2017			
Financial assets			
Cash on hand	171,148	-	171,148
Balances with the Central Bank	1,471	-	1,471
Balances with banks and other financial institutions	311,913	4,457	316,370
Cash wallet balance	107,882	-	107,882
Loans to customers	13,319,408	-	13,319,408
Other assets	123,027	-	123,027
Total financial assets	<u>14,034,849</u>	<u>4,457</u>	<u>14,039,306</u>
 Financial liabilities			
Borrowings	7,686,426	-	7,686,426
Other liabilities	76,054	-	76,054
Total financial liabilities	<u>7,762,480</u>	<u>-</u>	<u>7,762,480</u>
 Net financial asset position	 <u>6,272,369</u>	 <u>4,457</u>	 <u>6,276,826</u>
 In 'HR'000 equivalent	 <u>25,321,552</u>	 <u>17,994</u>	 <u>25,339,546</u>

ii) Price risk

The Company is not exposed to securities price risk because it does not have any investments held and classified on the balance sheet at fair value.

iii) Interest rate risk

Interest rates present several risks. There is a risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The value of a financial instrument will fluctuate in this same way.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Market risk (continued)

Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The Company at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, management regularly monitors the mismatch.

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

The interest rate risk exposure of financial assets and financial liabilities are as follows:

iii) Interest rate risk (continued)

	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	More than 5 years US\$	Non Interest Bearing US\$	Total US\$
As at 31 December 2018							
Assets							
Cash on hand	-	-	-	-	-	108,674	108,674
Balances with the Central Bank	-	-	-	-	-	2,796	2,796
Balances with banks and other financial institutions	-	-	-	-	-	108,025	108,025
Cash wallet balances	-	-	-	-	-	164,191	164,191
Loans to customers	566,646	1,131,543	4,484,782	14,599,062	2,240,394	-	23,022,427
Other assets	-	-	-	-	-	214,107	214,107
Total financial assets	566,646	1,131,543	4,484,782	14,599,062	2,240,393	597,793	23,620,220
Liabilities							
Borrowings	247,556	140,512	3,772,954	7,469,578	66,956	-	11,697,556
Other liabilities	-	-	-	-	-	134,520	134,520
Total financial liabilities	247,556	140,512	3,772,954	7,469,578	66,956	134,520	11,832,076
Total interest re-pricing gap	319,090	991,031	711,828	7,129,484	2,173,438	463,273	11,788,144
In KHR'000 equivalent	1,282,104	3,981,963	2,860,125	28,646,267	8,732,874	1,861,431	47,364,762
As at 31 December 2017							
Assets							
Cash on hand	-	-	-	-	-	171,148	171,148
Balances with the Central Bank	-	-	-	-	-	1,471	1,471
Balances with banks and other financial institutions	-	-	-	-	-	316,370	316,370
Cash wallet balances	-	-	-	-	-	107,882	107,882

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

Loans to customers	485,223	895,839	3,386,090	8,296,560	255,696	-	13,319,408
Other assets	-	-	-	-	-	123,027	123,027
Total financial assets	<u>485,223</u>	<u>895,839</u>	<u>3,386,090</u>	<u>8,296,560</u>	<u>255,696</u>	<u>719,898</u>	<u>14,039,306</u>
Liabilities							
Borrowings	165,247	330,494	1,487,223	5,703,462	-	-	7,686,426
Other liabilities	-	-	-	-	-	76,054	76,054
Total financial liabilities	<u>165,247</u>	<u>330,494</u>	<u>1,487,223</u>	<u>5,703,462</u>	<u>-</u>	<u>76,054</u>	<u>7,762,480</u>
Total interest re-pricing gap							
	<u>319,976</u>	<u>565,345</u>	<u>1,898,867</u>	<u>2,593,098</u>	<u>255,696</u>	<u>643,844</u>	<u>6,276,826</u>
In KHR'000 equivalent	<u>1,291,742</u>	<u>2,282,298</u>	<u>7,665,726</u>	<u>10,468,337</u>	<u>1,032,247</u>	<u>2,599,196</u>	<u>25,339,546</u>

27.3 Liquidity risk

Liquidity risk is the risk of the Company being unable to meet the 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 creditors and fulfil commitments to lender or lessor.

a) *Liquidity risk management process*

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting takes the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. The management monitors the movement of the main lenders and payable terms.

b) *Funding approach*

The Company's main sources of liquidity are from the shareholder's paid-up capital and borrowings. The sources of liquidity are reviewed regularly through management's review of the maturity of term borrowings.

c) *Non-derivative cash flows*

The table on the following page presents the cash flows payable of the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows. Therefore, the figures in the table are not reconcilable to the statement of financial position.

SAMRITHISAK MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018**

27. FINANCIAL RISK MANAGEMENT (continued)

27.3 Liquidity risk (continued)

	Less than 1 month US\$	From 1 month to 3 month US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	More than 5 years US\$	Total US\$
As at 31 December 2018						
Financial liabilities						
Borrowings	334,177	251,921	4,174,104	8,349,489	71,053	13,180,744
Other liabilities	134,520	-	-	-	-	134,520
Total financial liabilities (contractual maturing dates)	<u>468,697</u>	<u>251,921</u>	<u>4,174,104</u>	<u>8,349,489</u>	<u>71,053</u>	<u>13,315,264</u>
Assets held for managing liquidity risk (contractual maturity dates)	<u>1,462,352</u>	<u>1,713,433</u>	<u>7,215,406</u>	<u>21,355,284</u>	<u>2,290,927</u>	<u>34,037,402</u>
Net liquidity gap	<u>993,655</u>	<u>1,461,512</u>	<u>3,041,302</u>	<u>13,005,795</u>	<u>2,219,874</u>	<u>20,722,138</u>
In KHR'000 equivalent	<u>3,992,506</u>	<u>5,872,355</u>	<u>12,219,951</u>	<u>52,257,284</u>	<u>8,919,454</u>	<u>83,261,550</u>

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (continued)

27.3 Liquidity risk

c) *Non-derivative cash flows* (continued)

	Less than 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	More than 5 years US\$	Total US\$
As at 31 December 2017						
Financial liabilities						
Borrowings	194,190	384,525	1,675,861	6,284,639	-	8,539,215
Other liabilities	134,520	-	-	-	-	134,520
Total financial liabilities (contractual maturing dates)	<u>328,710</u>	<u>384,525</u>	<u>1,675,861</u>	<u>6,284,639</u>	<u>-</u>	<u>8,673,735</u>
Assets held for managing liquidity risk (contractual maturity dates)						
	<u>1,390,347</u>	<u>1,253,998</u>	<u>5,324,635</u>	<u>9,201,580</u>	<u>-</u>	<u>17,170,560</u>
Net liquidity gap	<u>969,570</u>	<u>869,473</u>	<u>3,648,774</u>	<u>2,916,941</u>	<u>-</u>	<u>8,404,758</u>
In KHR'000 equivalent	<u>3,895,732</u>	<u>3,493,543</u>	<u>14,660,774</u>	<u>11,720,270</u>	<u>-</u>	<u>33,770,319</u>

d) *Off-balance sheet items*

The Company does not have any financial off-balance sheet items as at 31 December 2018 (2017: Nil).

27.4 Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

The Company does not have financial instruments measured at fair value.

b) *Financial instruments not measured at fair value*

As at the balance sheet date, the fair values of financial instruments of the Company approximate their carrying amounts.

The estimated fair values are based on the following methodologies and assumptions.

Balances with banks and other financial institutions

Balances with banks and other financial institutions include non-interest bearing current accounts. The fair value of balances with banks approximates the carrying amount.

SAMRITHISAK MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (continued)

27.4 Fair value of financial assets and liabilities (continued)

b) Financial instruments not measured at fair value (continued)

Loans to customers

For fixed rate loans to customers with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans to customers with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loans to customers might approximate to their carrying value as reporting date.

Other assets and liabilities

The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these are not materially sensitive to the shift in market interest.

Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles. However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Company believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Company's credit risk profile as at reporting date. On this basis, the fair value of borrowings approximate their carrying values at the reporting date.

27.5 Capital risk management

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 Central Bank;
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.

SAMRITHISAK MICROFINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2018****27. FINANCIAL RISK MANAGEMENT (continued)****27.5 Capital risk management (continued)**

The Central Bank requires all commercial banks and financial institutions to: i) adhere to the minimum capital requirement; ii) maintain net worth at least equal to the minimum capital amount; and iii) comply with solvency and liquidity ratios.

The table below summarises the composition of regulatory capital:

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Tier 1 Capital				
Share capital	10,000,000	40,180,000	5,000,000	20,185,000
Retained earnings	2,510,670	10,087,872	1,784,457	7,203,853
Less: Loans to related parties	(89,296)	(358,791)	(24,981)	(100,850)
Total regulatory capital	12,421,374	49,909,081	6,759,476	27,288,003

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