

**MIA<sup>®</sup>**  
**P L C**

**មីយ៉ា ម.ក**

**របាយការណ៍ប្រចាំឆ្នាំ**  
**ANNUAL REPORT**

**2018**



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# CEO'S MESSAGE



## Dear Valued Customers and shareholders

In 2018, Cambodia achieved the economic growth of 7.5%. The number of financial and banking institutions also increased; except microfinance taking deposit institutions (MDI). By the report of the National Bank of Cambodia, regulator- there are 43 commercial banks, 14 specialized banks, 7 microfinance taking deposit institutions (MDI), 74 microfinance institutions, 15 leasing companies, 16 payment service providers (*source: financial stability review 2018*). Based on the good performance of macroeconomics, Cambodia has achieved the good rate of GDP growth that allows all investments here to approach the highest performance. However, before the national election in July 2018, the interest rate ceiling was approved maximum 18% per annum by NBC after the government intervention, each financial and banking institution is able to make profit satisfactorily.

MIA Plc. entered to the financial market in 2017, the year of start, and it has been made much effort to strengthen its capacity for building up both human resources and financial services. It was very hard for us, but we were happy to work with and deliver the financial products to our customers on time. The year 2018 is the year of commitment and profit orientation, and it achieves the goal of breakeven point in August 2018. MIA Plc. has been

going through very competitive environments of financial market in Cambodia since 2017 and our management and staffs have committed to solve the challenges and maintain our good portfolio quality for building up its image and catching up the financial market segmentation within the very competitive context. We have currently obtained small margin from lending. Therefore, we have to maintain the prudential principle before decision making on the loan approval in respect of quick response to our customers. Our dedicated team strives to protect mutual benefits between involved parties.

Furthermore, the year 2018 is the sophisticated year, and I am very pleased to briefly report the significant figures in 2018 that our assets grew 74.44% compared with US\$ 3,156,179.00 in 2017. The loan portfolio increased 78.35% and profit before tax increased 287.37% compared with US\$ 2,949,471.00 and US\$ - 94,910.00 in 2017 respectively. Additionally; return on assets (ROA) is 2.72%, return on equity (ROE) 9.65%, debts to assets (DOA) 1:1.7, and debt to equity (DOE) 2.49: 1. The remarkable achievement is not just well performed but also portfolio at risk (PAR) or non-performing loan (NPL) is nil.

The pleasant accomplishment of ours has been made by contribution of both all dedicated management and staffs who have committed to bring the profound performance of the year 2018.

On behalf of management team and staffs, I would like to be thankful for the esteem shareholders and board of directors who always support and advise our team; especially the institution's strategies for previous and current years. I would also like to thank all management and staffs who have been highly dedicated to cooperatively work for the institution resulting the good growth and particularly thank you for all valued customers who have trusted and supported our lending services. Our team commits to serve all valued customers beyond their expectation.

Finally, I would like to wish esteem shareholders, board of directors, management, staffs and valued customers good luck, bright future and great achievement for ongoing years.

Faithfully yours,

A handwritten signature in blue ink, appearing to read 'Oknha'.

**Oknha Ngov Srun**

Chief Executive Officer

# FINANCIAL HIGHLIGHTS 2018

	2018	2017
	US\$	US\$
<b>OPERATING RESULTS (USD)</b>		
Profit/(Loss) before tax expenses	177,835	(94,910)
Profit/(Loss) after tax expenses	149,717	(98,042)
<b>KEY BALANCES SHEET DATA (USD)</b>		
TOTAL ASSETS	5,505,843	3,156,179
Loans to customers	5,260,345	2,949,471
Borrowings	3,863,459	1,700,571
TOTAL LIABILITIES	3,954,168	1,754,221
Paid-up Capital	1,500,000	1,500,000
Shareholders' Equity	1,551,675	1,401,958
<b>FINANCIAL RATIO</b>		
Return on Asset	2.72%	-3.10%
Return on Equity	9.65%	-6.99%
Debt to Equity	2.49:1	1.21:1
Debt to Asset	1:1.7	1:1.54
<b>NOTE (USD)</b>		
Net Profit	149,717	(98,042)
Total Asset	5,505,843	3,156,179
Equity	1,551,675	1,401,958



**MIA Plc.**

**Your Financial  
Access**

# VISION

**To be one of the leading microfinance institutions which provide variety of attractive products and services for small and medium entrepreneurs in Cambodia**

# MISSION

**Commit to provide the financial products matching the customer's needs.**

**Be a part of economic development and partners of small and medium entrepreneurs in Cambodia**

**To improve the low and medium income-generated people who intend to create new businesses and expand their existing businesses in both urban areas and provinces.**



# CORPORATE PROFILE

## I. MIA Plc.

MIA Plc.'s project established in late 2015 which was initiated by Lok Chumteav Oknha Ngov Mok, the respectful Chairwoman and shareholders. The initiative came to exist in the early 2016 with the following progress:

- In January 2016, the team work started submitting the application of the microfinance business license under the name of MIA FINANCIAL Plc. to the National Bank of Cambodia.
- On March 22, 2016, the institution received the written notification of the principle approval under the name of MIA FINANCIAL Plc. from the National Bank of Cambodia.
- On June 2, 2016, the institution received the Certificate of Incorporation No. 00113366 from the Ministry of Commerce.
- On December 6, 2016 the institution obtained the License to Conduct Microfinance Business No. M.F. 74 from the National Bank of Cambodia
- On January 15, 2019, the institution requested to change the corporate name of the institution from MIA FINANCIAL Plc. to MIA Plc., and increased the registered capital from KHR 6,000,000,000.00 (equivalent to USD 1,500,000.00) to KHR 10,000,000,000.00 (equivalent to USD 2,500,000.00) and modified the memorandum of association of the institution.
- On March 29, 2019, the National Bank of Cambodia allowed the institution to change the institution's business name from MIA FINANCIAL Plc. to MIA Plc., and to increase the registered capital from KHR 6,000,000,000.00 (equivalent to USD 1,500,000.00) to KHR 10,000,000,000.00 (equivalent USD 2,500,000.00) and to modify the memorandum of association of the institution.

## II. Summary Corporate Business Activities

### 1. Office Address

The Head Office of MIA Plc. is located in Building No. 93, on the Corner of the Norodom Blvd. and street 208 (in front of Chaktomuk Secondary School), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Tel : +855 (23) 989 262  
Email : [info@miapl.com](mailto:info@miapl.com)  
Website : [www.miapl.com](http://www.miapl.com)

### 2. Business's Objective

To provide small and medium financial services to labor workers, civil servants, private sector, sellers, businesspeople, and small and medium enterprises; especially to offer opportunities to those who earn small and medium income to receive financial services for their respective businesses which are not violating the laws. These business activities include initiating new businesses, expansion of current businesses, renovating houses, starting agricultural businesses, etc.



# MICROFINANCE BUSINESS LICENSE

## I. PREVIOUS LICENCE UNDER THE NAME OF MIA FINANCIAL PLC.



## II. CURRENT LICENCE UNDER THE NAME OF MIA PLC.



# CORPORATE GOVERNANCE

MIA Plc. consists of higher level of organizational structure to ensure that the corporate governance of the institution is warrenty for short term and long term sustainable business growth. The following are board of directors and committees.

## Board of Directors

- |                                |            |
|--------------------------------|------------|
| - Lok Chumteav Oknha Ngov Mok, | Chairwoman |
| - Oknha Ngov Srun,             | Member     |
| - Mr. Ngov Vansu,              | Member     |

## Committees

MIA Plc. has four main commitees - Assets, Liabilities Committee, Audit Committee, Credit Committee and Disciplinary Committee.

### Assets, Liabilities Committee:

- |                                |        |
|--------------------------------|--------|
| - Lok Chumteav Oknha Ngov Mok, | Head   |
| - Oknha Ngov Srun,             | Member |
| - Mr. Ngoun Saram,             | Member |
| - Mr. Im Song,                 | Member |

### Internal Audit Committee:

- |                    |        |
|--------------------|--------|
| - Mr. Po Sathya,   | Head   |
| - Oknha Ngov Srun, | Member |
| - Mr. Ngoun Saram, | Member |
| - Mr. Pun Davuthy, | Member |

### Credit Committee:

Approved equivalent or less than USD 50,000.00

- |                    |        |
|--------------------|--------|
| - Mr. Ngoun Saram, | Head   |
| - Mr. Im Song,     | Member |

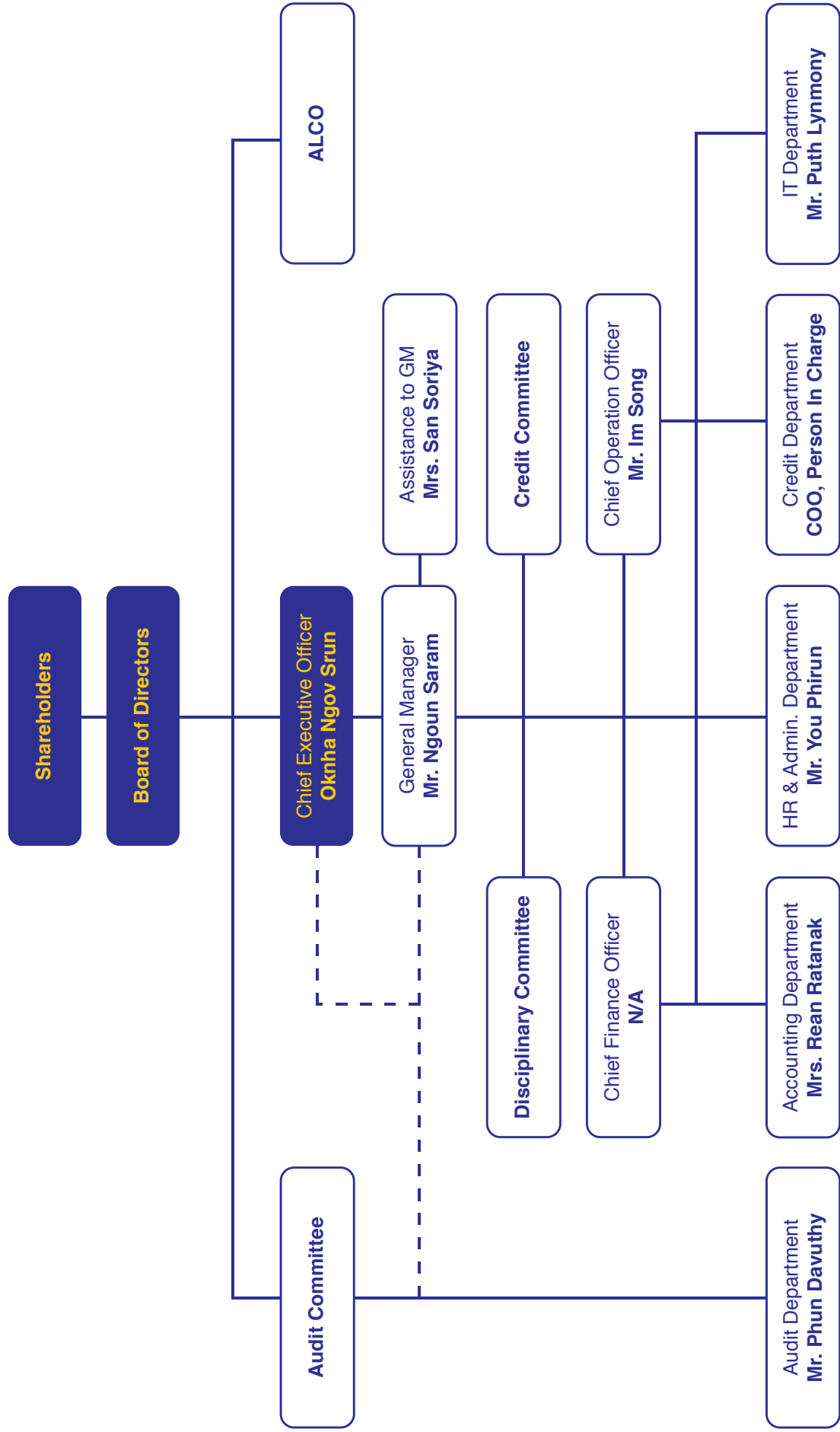
Approved more than USD 50,000.00

- |                    |        |
|--------------------|--------|
| - Oknha Ngov Srun, | Head   |
| - Mr. Ngoun Saram, | Member |
| - Mr. Im Song,     | Member |

### Disciplinary Committee:

- |                    |        |
|--------------------|--------|
| - Mr. Ngoun Saram, | Head   |
| - Mr. Im Song,     | Member |
| - Mr. You Phirun,  | Member |

# ORGANIZATIONAL CHART



# EXECUTIVE MANAGEMENT TEAM



## **Oknha Ngov Srun, Chief Executive Officer**

Oknha Ngov Srun is a co-founder of MIA Plc. He completed his Master's Law Degree at Université Libre De Bruxelles and Bachelor of Science. He is also a founder of Khmer Sight Foundation, a non-profit organization, specializes in eye diseases. He has earned much experience in business of real estates, financial, trading, etc., in Cambodia and overseas more than 25 years.

## **Mr. Ngoun Saram, General Manager**

Mr. Ngoun Saram completed a Bachelor of Economic in Finance and Banking. Currently, he is pursuing Master's Degree in Risk, Insurance, Finance and Banking Management. He has a broad range of experiences in MFIs and banks for more than 15 years. He held various positions as Credit Officer, Internal Auditor, Internal Audit Unit Manager, Loan officer, Loan Manager, Deputy Branch Manager, Branch Manager with well-known local and foreign MFIs and banks in Cambodia.



## **Mr. Im Song, Chief Operation Officer**

Mr. Im Song holds a Bachelor of Business and Administration, specialized in Accounting and Finance. He has a broad range of experiences in MFIs for more than 15 years. He held various positions in charge of Marketing Research Assistant, Research and Development Unit Manager, SPM Facilitator, and Branch Manager.

## **Mr. You Phirun, Human Resources and Administrative Manager**

Mr. You Phirun, completed Bachelor of English majoring in English for Communication and Master of Finance, specialized in Finance and Banking. He has earned more than 8 years of experience with MFIs and banks. Prior to joining MIA Plc., he held many positions as HR and Administrative Assistant, HR Officer, and Senior HR and Administrative Officer.





### **Mr. Kau Lida, SME Manager**

Mr. Kau Lida holds a Bachelor's Degree in Banking and Finance. He has earned more than 14 years of experience with MFIs and banks. His areas of responsibilities included Sale, Marketing and Loan Operation.

### **Mrs. San Soriya, Assistant to General Manager**

Mrs. San Soriya holds a Bachelor of Accounting from National University of Management. Prior to joining MIA Plc., she has worked for an ADB project for one year and she moved to a well-known MFI as an accountant for two years.



### **Mr. Phun Davuthy, Internal Audit Manager**

Mr. Phun Davuthy completed Bachelor Degree of Management. He has earned more than 8 years of experience with MFIs. He held various positions as Credit Officer, Credit Team Leader and Branch Manager before promoting as the Internal Audit Manager at MIA Plc.



# SOCIAL RESPONSIBILITY AND CONTRIBUTION



## GREEN LENDING

MIA Plc. always ensures that the lending to customers is used under legal purposes for creatively commerce and for improving the income and some of the other legal activities such as renovation, housing, land, and especially not to oppose the law like illegal fishery, logging, and other statement which is set by the legislators as the national and international law. Some other banned commercials set out as following:

- Child labor
- Boom and other reactive weapons business
- Game, casino, prostitute, illegal fishery, and other illegal deforestation
- Animal, and other human trafficking activities against the national and international laws.
- Illegal chemical, radioactive products and services activities
- The commercial activities or products which are harmful to the environment; and
- Other warning of business activities perform.

## PARTNERSHIP WITH KHMER SIGHT FOUNDATION

MIA Plc. has jointly worked with Khmer Sight Foundation to fight against the blindness in Cambodia. Each year 6,000 Cambodians go blind, and it is estimated there are 180,000 blind people in the Kingdom, most of them are poor. These people cannot work and are unable to support either themselves or their families. The largest cause of blindness in the country is cataract. Women are more than twice as likely as men to suffer from cataract blindness. About 90 percent of blindness is avoidable. MIA Plc. is proud to offer financial sponsor and our staffs are always pleased to help as volunteers.

## SUPPORTING THE HUMANITARIAN ACTIVITIES

As we grow, we also want our communities to grow with us. We have donated a part of our income for the contribution to poverty reduction, promotion and protection of humanitarian values of vulnerable people.

## PARTICIPATION OF FINANCIAL LITERACY PROGRAM

This program is created by the Cambodia Microfinance Association to promote the financial education to Cambodian people. MIA Plc., is also the one of all sponsors and a part of fund contribution. Furthermore, our management member was sent to be an honor speaker in this program on air.



# THE YEAR IN REVIEW





# DIRECTOR'S REPORT

The Directors hereby submit the report and the audited financial statements of **MIA Financial Plc.** ("the Company") for the financial year ended to 31 December 2018.

## PRINCIPAL ACTIVITY

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

## RESULT OF OPERATIONS

	US\$	KHR'000
Profit for the financial year	<u>149,717</u>	<u>601,564</u>

## DIVIDENDS

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

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL LOANS

Before the statement of profit or loss and other comprehensive income and statement of

financial position of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

## **CURRENT ASSETS**

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

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

## **VALUATION METHODS**

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

## **CONTINGENT AND OTHER LIABILITIES**

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

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

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

## **CHANGE OF CIRCUMSTANCES**

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

## ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial 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 financial year for which this report is made.

## Share capital

The Company did not issue any shares during the current financial year.

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

## DIRECTORS

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

**Lok Chumteav Oknha Ngov Mok**  
**Oknha Ngov Srun**  
**Mr. Ngov Vansu**

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

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

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

- (a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;

- (b) comply with the disclosure requirements of the Cambodian Accounting Standards (“CASs”) and the guidelines issued by the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (c) maintain adequate accounting records and an effective system of internal controls;
- (d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- (e) control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

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

## STATEMENT BY THE DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 8 to 36 have been drawn up in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the financial year ended to 31 December 2018.

Signed on behalf of the Board,  
  


**Oknha Ngov Srun**  
 Chief Executive Officer

Phnom Penh, Cambodia  
 Date: 29/April/2019



# INDEPENDENT AUDITORS' REPORT

## OPINION

We have audited the financial statements of MIA Financial Plc., (“the Company”), which comprise balance sheet as at 31 December 2018, and income statement, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2018, and a summary of significant accounting policies, as set out on pages 8 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia.

## BASIS FOR OPINION

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

## INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

## **INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON**

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

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

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

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

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS**

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

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

## **AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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



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

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

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

## OTHER MATTERS

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

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BDO (Cambodia) Limited  
Phnom Penh, Cambodia  
Date: 29 April 2019





# Financial Report

# BALANCE SHEET

		2018		2017
	Note	USD\$	KHR'000	US\$
ASSETS				
Cash on hand	7	846	3,399	9,727
Balances with National Bank of Cambodia	8	75,480	303,279	75,173
Balances with other banks	9	28,093	112,878	7,553
Loans to customers	10	5,260,345	21,136,066	2,949,471
Other receivables	11	76,491	307,341	41,849
Intangible asset	12	20,350	81,766	26,950
Property, plant and equipment	13	44,238	177,748	45,456
TOTAL ASSETS		5,505,843	22,122,477	3,156,179
LIABILITIES AND EQUITY				
LIABILITIES				
Other payables	14	69,219	278,122	53,217
Borrowings	15	3,863,459	15,523,378	1,700,571
Current tax liabilities		21,490	86,347	433
TOTAL LIABILITIES		3,954,168	15,887,847	1,754,221
EQUITY				
Share capital	16	1,500,000	6,027,000	1,500,000
Retained earnings/(Accumulated losses)		51,675	207,630	(98,042)
TOTAL EQUITY		1,551,675	6,234,630	1,401,958
TOTAL LIABILITIES AND EQUITY		5,505,843	22,122,477	3,156,179

# INCOME STATEMENT

	Note	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
		US\$	KHR'000	US\$
Interest income	17	647,370	2,601,133	271,763
Interest expense	18	(192,663)	(774,120)	(46,029)
<b>Net interest income</b>		<b>454,707</b>	<b>1,827,013</b>	<b>225,734</b>
Allowance for doubtful loans	10	(23,342)	(93,788)	(29,793)
Other operating income	19	88,113	354,038	41,537
Personnel expenses	20	(180,552)	(725,458)	(185,228)
Depreciation and amortisation expenses	21	(27,972)	(112,391)	(27,773)
General and administrative expenses	22	(133,119)	(534,872)	(119,387)
Profit/(Loss) before tax		177,835	714,542	(94,910)
Tax expense	23	(28,118)	(112,978)	(3,132)
<b>Profit/(Loss) for the financial year</b>		<b>149,717</b>	<b>601,564</b>	<b>(98,042)</b>

# STATEMENT OF CHANGES IN EQUITY

	Note	Share capital US\$	(Accumulated losses)/ Retained earnings US\$	Total US\$
<b>Balance as at 2 June 2016</b>				
<b>(date of incorporation)</b>	16	1,500,000	-	1,500,000
Loss for the financial year		-	(98,042)	(98,042)
<b>Balance as at 31 December 2017</b>		1,500,000	(98,042)	1,401,958
Profit for the financial year		-	149,717	149,717
<b>Balance as at 31 December 2018</b>		1,500,000	51,675	1,551,675
<i>(KHR'000 equivalent)</i>		6,027,000	207,630	6,234,630

# STATEMENT OF CASH FLOWS

		1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	Note	US\$	KHR'000	US\$
<b>Cash flows from operating activities</b>				
Profit/(Loss) before tax		177,835	714,541	(94,910)
Adjustments for:				
Allowance for doubtful loans	10	23,342	93,788	29,793
Amortisation of intangible asset	12	6,600	26,519	6,050
Depreciation of property, plant and equipment	13	21,372	85,873	21,723
Interest expense	18	192,663	774,120	46,029
Operating profit before working capital changes		421,812	1,694,841	8,685
Changes in working capital				
Loans to customers		(2,334,216)	(9,378,880)	(2,979,264)
Other receivables		(34,642)	(139,191)	(41,849)
Other payables		13,695	55,026	48,852
Cash used in operations		(1,933,351)	(7,768,204)	(2,963,576)
Placement of statutory deposit		-	-	(75,000)
Interest paid		(7,061)	(28,371)	(42,240)
Income tax paid		(190,356)	(764,850)	(2,699)
Net cash used in operating activities		(2,130,768)	(8,561,425)	(3,083,515)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	13	(20,154)	(80,979)	(67,179)
Purchase of intangible asset	12	-	-	(33,000)
Net advances from shareholder		-	-	4,365
Net cash used in investing activities		(20,154)	(80,979)	(95,814)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares	16	-	-	1,500,000
Drawdown of borrowings		2,369,197	9,519,434	3,536,297
Repayments of borrowings		(206,309)	(828,950)	(1,839,515)
Net cash from financing activities		2,162,888	8,690,484	3,196,782
Net increase in cash and cash equivalents		11,966	48,080	17,453
Cash and cash equivalents at beginning of financial year/date of incorporation		17,453	70,126	-
Cash and cash equivalents at end of financial year/period		29,419	118,206	17,453

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

MIA Financial Plc. (“the Company”) is a private limited company incorporated in Cambodia under registration number 00013666 dated 2 June 2016, issued by the Ministry of Commerce.

The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a microfinance institution on 6 December 2016.

The registered office and principal place of business of the Company is located at Building No. 93, Norodom Blvd., Corner Street 208, Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

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

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

## 2. PRINCIPAL ACTIVITY

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

## 3. BASIS OF PREPARATION

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 BASIS OF ACCOUNTING

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

The preparation of financial statements in conformity with CASs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are

disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss items in foreign currencies at the end of the reporting year are converted into thousand Khmer Riel ("KHR'000") using the official exchange rate announced by the NBC at the end of the reporting year, US\$1 = KHR4,018 (2017: US\$1 = KHR4,037). Such conversions should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into US\$ at this or any other rate of exchange.

## **4.2 BALANCES WITH NATIONAL BANK OF CAMBODIA**

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

## **4.3 BALANCES WITH OTHER BANKS**

Balances with other banks are carried at placement value.

## **4.4 LOANS TO CUSTOMERS**

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

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



## 4.5 ALLOWANCE FOR BAD AND DOUBTFUL LOANS

The Company records the mandatory credit classification and provisioning as required by Prakas B7-017-344 Pro Kor dated 1 December 2017. The Prakas requires microfinance institutions to classify their loan portfolio into the following five classes and ensure that the minimum mandatory level of specific provisioning is provided:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
<b>General</b>		
Normal	0 - 14 days	1%
<b>Specific</b>		
Special-mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%
Long-term loans (more than one year):		
<b>General</b>		
Normal	0 - 29 days	1%
<b>Specific</b>		
Special-mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

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

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

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

## 4.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Leasehold improvement	5 years
Furniture and fixtures	5 years
Computer equipment	3 years
Office equipment	5 years
Motor vehicles	5 years

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

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

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

## **4.7 INTANGIBLE ASSETS**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

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

## **4.8 IMPAIRMENT OF ASSETS**

### **(A) FINANCIAL ASSETS**

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

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

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

All impairment losses are recognised in income statement.

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

### **(B) NON-FINANCIAL ASSETS**

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

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

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

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

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

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

## **4.9 PROVISIONS**

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

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

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

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

## **4.10 INCOME TAXES**

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

### **(A) CURRENT TAX**

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

### **(B) DEFERRED TAX**

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

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

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

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

#### **4.11 INTEREST INCOME RECOGNITION**

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

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

#### **4.12 FEE AND COMMISSION INCOME RECOGNITION**

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

#### **4.13 RELATED PARTIES**

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

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

#### **4.14 EMPLOYEE BENEFITS**

##### **(a) SHORT TERM EMPLOYEE BENEFITS**

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

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

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

## **(b) TERMINATION BENEFITS**

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

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

## **4.15 OPERATING LEASES**

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

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

## **4.16 FOREIGN CURRENCIES**

### **(a) FUNCTIONAL AND PRESENTATION CURRENCY**

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

## **(b) FOREIGN CURRENCY TRANSLATIONS AND BALANCES**

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

### **4.17 BORROWING COSTS**

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

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

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

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

### **5.1 STATEMENT OF COMPLIANCE WITH CASs AND BASIS OF PREPARATION**

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

Accordingly, the financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than the Kingdom of Cambodia and furthermore their use is not designed for those who are not informed about Cambodia’s principles, procedures and practices.



## **5.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE COMPANY**

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

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

In accordance with the Circular No. 004 NAC dated 3 January 2019 issued by the NAC of MoEF, effective 1 January 2019, specialised banks, microfinance institutions and leasing companies are required to adopt either CIFRSs or CIFRSs for SMEs while commercial banks and deposit taking microfinance institutions are required to adopt CIFRSs.

## **6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

### **6.1 CHANGES IN ESTIMATES**

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

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

### **6.2 CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES**

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

### **6.3 KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

## **(a) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT**

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

## **(b) IMPAIRMENT ON LOANS TO CUSTOMERS**

The Company records the mandatory credit classification and provisioning as required by Prakas B7-017-344 Pro Kor dated 1 December 2017. The Prakas requires microfinance institutions to classify their loan portfolio into five classes and ensure that the minimum mandatory level of specific provisioning is provided depending on the classification and regardless of collateral (except for cash). For the purpose of loan classification, the Company is required to take into account the borrowers' historical payment experience and financial condition.

## **(c) TAX EXPENSE**

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

## **7. CASH ON HAND**

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

	2018		2017
	US\$	KHR'000	US\$
Cash on hand	846	3,399	9,727

## 8. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2018		2017
	US\$	KHR'000	US\$
Statutory deposit	75,000	301,350	75,000
Current account	480	1,929	173
	75,480	303,279	75,173

### Statutory deposit

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

## 9. BALANCES WITH OTHER BANKS

	2018		2017
	US\$	KHR'000	US\$
Hattha Kaksekar Limited	-	-	1,769
Vattanac Bank	21,053	84,591	-
Wing Cambodia Limited Specialized Bank	7,040	28,287	5,784
	28,093	112,878	7,553

## 10. LOANS TO CUSTOMERS

	2018		2017
	US\$	KHR'000	US\$
Individual loans	5,313,480	21,349,562	2,979,264
Allowance for doubtful loans	(53,135)	(213,496)	(29,793)
	5,260,345	21,136,066	2,949,471

**(a) ALLOWANCE FOR DOUBTFUL LOANS**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
Balance at beginning of year	29,793	119,708	-
Allowance for the year	23,342	93,788	29,793
Balance at end of year	53,135	213,496	29,793

**(b) BY MATURITY**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
Within one year	1,357,680	5,455,158	605,678
From one to five years	2,988,727	12,008,705	2,238,555
Over five years	967,073	3,885,699	135,031
	5,313,480	21,349,562	2,979,264

**(c) BY CURRENCY**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
US Dollar	5,297,872	21,286,849	2,979,264
Khmer Riel	15,608	62,713	-
	5,313,480	21,349,562	2,979,264

**(d) BY ECONOMIC SECTOR**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
Agriculture	29,958	120,371	8,825
Construction	811,268	3,259,675	210,707
Household/Family	2,754,914	11,069,244	1,383,002
Services	362,383	1,456,055	84,011
Trade and commerce	1,290,973	5,187,129	1,100,526
Transportation	63,984	257,088	53,651
Other categories	-	-	138,542
	5,313,480	21,349,562	2,979,264

**(e) BY RELATIONSHIP**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
External customers	5,078,124	20,403,903	2,821,508
Staff loans	235,356	945,659	157,756
	<b>5,313,480</b>	<b>21,349,562</b>	<b>2,979,264</b>

**(f) ANALYSIS BY SECURITY ON PERFORMING AND NON-PERFORMING LOANS**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
Normal loans:			
Secured	5,313,480	21,349,562	2,979,264

**(g) BY EXPOSURE**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
Large exposures	-	-	-
Non-large exposures	5,313,480	21,349,562	2,979,264
	<b>5,313,480</b>	<b>21,349,562</b>	<b>2,979,264</b>

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

**11. OTHER RECEIVABLES**

	<b>2018</b>		<b>2017</b>
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
Interest receivables	1,208	4,854	25,489
Advances	33,688	135,358	15,377
Prepayments	41,595	167,129	983
	<b>76,491</b>	<b>307,341</b>	<b>41,849</b>

## 12. INTANGIBLE ASSET

	Computer software US\$
<b>Cost</b>	
Balance as at 2.6.2016 (date of incorporation)	-
Additions	33,000
<b>Balance as at 31.12.2017</b>	<b>33,000</b>
Additions	-
<b>Balance as at 31.12.2018</b>	<b>33,000</b>
<b>Accumulated amortisation</b>	
Balance as at 2.6.2016 (date of incorporation)	-
Amortisation for the financial period	6,050
<b>Balance as at 31.12.2017</b>	<b>6,050</b>
Amortisation for the financial year	6,600
<b>Balance as at 31.12.2018</b>	<b>12,650</b>
<b>Carrying amounts</b>	
<b>Balance as at 31.12.2018</b>	<b>20,350</b>
<i>(KHR'000 equivalent)</i>	<i>81,766</i>
Balance as at 31.12.2017	26,950

Intangible asset comprise of accounting software which is amortised over five years.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Furniture and fixtures	Computer equipment	Office equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Cost</b>						
Balance as at 2.6.2016 (date of incorporation)	-	-	-	-	-	-
Additions	4553.00	1279.00	13123.00	4554.00	43670.00	67179.00
Balance as at 31.12.2017	4,553	1,279	13,123	4,554	43,670	67,179
Additions	-	500.00	5799.00	1975.00	11880.00	20154.00
Balance as at 31.12.2018	4,553	1,779	18,922	6,529	55,550	87,333
<b>Accumulated depreciation</b>						
Balance as at 2.6.2016 (date of incorporation)	-	-	-	-	-	-
Depreciation for the financial period	1028.00	330.00	4956.00	1174.00	14235.00	21723.00
Balance as at 31.12.2017	1,028	330	4,956	1,174	14,235	21,723
Depreciation for the financial year	1001.00	566.00	5524.00	1742.00	12539.00	21372.00
Balance as at 31.12.2018	2,029	896	10,480	2,916	26,774	43,095
<b>Carrying amounts</b>						
Balance as at 31.12.2018	2,524	883	3,613	8,442	28,776	44,238
(KHR'000 equivalent)	10,141	3,548	14,517	33,920	115,622	177,748
Balance as at 31.12.2017	3,525	949	8,167	3,380	29,435	45,456



## 14. OTHER PAYABLES

	2018		2017
	US\$	KHR'000	US\$
Shareholder	-	-	4,365
Accruals	15,211	61,118	5,962
Interest payables	3,557	14,292	1,250
Other payables	50,451	202,711	41,640
	69,219	278,121	53,217

## 15. BORROWINGS

	2018		2017
	US\$	KHR'000	US\$
Shareholder	1,199,776	4,820,700	-
Term loan	1,793,691	7,207,050	1,000,000
Bank overdraft	869,992	3,495,628	700,571
	3,863,459	15,523,378	1,700,571

- (a) Loan from shareholder of the Company. This loan is unsecured, bears interest at a rate of 4% per annum and repayable within one year from the drawdown date.
- (b) Term loan from Vattanac Bank. This loan bears interest at a rate of 7.5% (2017: 7.5%) per annum and repayable in 84 monthly installments commencing 26 October 2018. It is guaranteed by a shareholder of the Company and secured by a fixed charge over properties belonging to the shareholder.
- (c) Bank overdraft from Vattanac Bank. This loan bears interest at a rate of 7.5% (2017: 7.5%) per annum. It is guaranteed by a shareholder of the Company and secured by a fixed charge over properties belonging to the shareholder.

## 16. SHARE CAPITAL

	2018		2017	
	Number	US\$	Number	US\$
Ordinary shares of US\$1,000 each				
Registered	1,500	1,500,000	1,500	1,500,000
Registered and issued:				
At 31 December/date of incorporation	1,500	1,500,000	1,500	1,500,000
<i>(KHR'000 equivalent)</i>		6,027,500		

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

## 17. INTEREST INCOME

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Loans to customers	647,058	2,599,879	269,781
Deposits and placements with banks	312	1,254	1,982
	647,370	2,601,133	271,763

## 18. INTEREST EXPENSE

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Interest expense on:			
- Loan from shareholder	13,897	55,838	13,956
- Term loan	138,002	554,492	20,000
- Bank overdraft	40,764	163,790	12,073
	192,663	774,120	46,029

## 19. OTHER OPERATING INCOME

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Commission income	67,629	271,734	35,981
Foreign exchange gain	69	277	69
Penalty income	20,415	82,027	5,477
Other income	-	-	10
	88,113	354,038	41,537

## 20. PERSONNEL EXPENSES

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Salaries and benefits	174,873	702,640	183,831
Others	5,679	22,818	1,397
	180,552	725,458	185,228

## 21. DEPRECIATION AND AMORTISATION EXPENSES

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Depreciation of property, plant and equipment	21,372	85,872	21,723
Amortisation of intangible asset	6,600	26,519	6,050
	27,972	112,391	27,773

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Annual subscription fees	1,011	4,062	1,000
Bank charges	75	301	131
Communication expenses	8,399	33,747	9,070
Entertainment expenses	2,032	8,165	824
Foreign exchange loss	31	125	33
Legal fees	7,136	28,672	1,110
License fees	6,756	27,146	7,325
Loan processing fees	10,546	42,374	3,426
Marketing and advertisement expenses	6,195	24,892	25,900
Office supplies expenses	2,160	8,679	2,671
Professional fees	-	-	4,000
Rental expenses	54,530	219,101	37,776
Repair and maintenance expenses	1,950	7,835	1,187
Transportation expenses	5,926	23,811	5,337
Utilities expenses	17,102	68,716	7,213
Other expenses	9,270	37,246	12,384
	133,119	534,872	119,387

## 23. TAX EXPENSE

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Income tax expense:			
Current year	28,118	112,978	3,132

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2017: 20%) of the taxable profit or a minimum tax at 1% (2017: 1%) of total revenue, whichever is higher. The numerical reconciliation between the tax expense and the product of accounting profit/loss multiplied by the applicable tax rate of the Company is as follows:

	1.1.2018 To 31.12.2018		2.6.2016 To 31.12.2017
	US\$	KHR'000	US\$
Profit/(Loss) before tax	177,835	714,541	(94,910)
Tax at Cambodian statutory tax rate of 20% (2017: 20%)	35,567	142,909	(18,982)
Tax effects in respect of:			
Non-allowable expenses	9,281	37,289	11,897
Utilisation of previously unrecognised deferred tax asset	(11,566)	(46,473)	-
Deferred tax asset not recognised during the year	-	-	11,566
Tax allowances	(5,164)	(20,747)	(4,481)
Statutory minimum tax	-	-	3,132
<b>Total tax expense</b>	<b>28,118</b>	<b>112,978</b>	<b>3,132</b>

The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	2018		2017
	US\$	KHR'000	US\$
Unused tax loss			
- Expire by 31 December 2022	-	-	57,830

Deferred tax asset has not been recognised in respect of this item as it is not probable that taxable profits of the Company would be available against which the deductible temporary differences could be utilised.

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

## 24. OPERATING LEASE COMMITMENTS

### The Company as lessee

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

	2018		2017
	US\$	KHR'000	US\$
Not later than one year	57,600	231,437	21,600
Later than one year and not later than five years	81,600	327,869	52,200
	139,200	559,306	73,800

## 25. RELATED PARTY DISCLOSURES

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

	2018		2017
	US\$	KHR'000	US\$
Shareholder:			
Lok Chumteav Ngov Mok			
Loan to the Company	1,199,776	4,820,700	-
Advances to the Company	-	-	1,099,268
Repayments by the Company	-	-	1,094,903
Interest expense	13,897	55,838	13,956

Balances with related parties at the end of the reporting year are disclosed in Note 14 and Note 15 to the financial statements.

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

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

## (i) CREDIT RISK

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

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

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

### a. RISK LIMIT CONTROL AND MITIGATION POLICIES

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

### b. MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

	Note	2018		2017
		US\$	KHR'000	US\$
Credit exposure relating to assets on the balance sheet:				
Balances with other banks	9	28,093	112,878	7,553
Loans to customers	10	5,313,480	21,349,563	2,949,471
Other receivables	11	76,491	307,341	41,849
		5,418,064	21,769,782	2,998,873



The above table represents a worst case scenario for credit risk exposure to the Company as at 31 December 2018, without taking into account any collateral held or other credit enhancements. For assets in the balance sheet, the exposure set out above is based on net carrying amounts.

### c. LOANS TO CUSTOMERS

Loans to customers are summarised as follows:

	2018		2017
	US\$	KHR'000	US\$
Loans to customers neither past due nor impaired	5,260,345	21,136,066	2,949,471
Loans to customers past due but not impaired	-	-	-
Loans to customers individually impaired	53,135	213,496	29,793
Gross loans	5,313,480	21,349,562	2,979,264
Allowance for doubtful loans	(53,135)	(213,496)	(29,793)
<b>Net loans to customers</b>	<b>5,260,345</b>	<b>21,136,066</b>	<b>2,949,471</b>

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the National Bank of Cambodia's requirements. The total allowance for doubtful loans is US\$53,135 (2017: US\$29,793), which represents the mandatory provision required by the National Bank of Cambodia and additional provision for the loan losses.

(i) Loans to customers neither past due nor impaired

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

(ii) Loans to customers past due but not impaired

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

(iii) Loans to customers individually impaired

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

	2018		2017
	US\$	KHR'000	US\$
Past due 0 - 29 days	53,135	213,496	29,793
Past due 30 - 89 days	-	-	-
Past due 90 - 179 days	-	-	-
Past due 180 - 359 days	-	-	-
Past due 360 days or more	-	-	-
	53,135	213,496	29,793

(iv) Loans to customers renegotiated

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

**d. REPOSSESSED COLLATERAL**

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

**(ii) INTEREST RATE RISK**

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

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

As at 31 December 2018

	Weighted average effective interest rate	Within one year	One to five years	Over five years	Non-interest bearing	Total
	%	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>						
Cash on hand	-	-	-	-	846	846
Balances with National Bank of Cambodia:						
Current account	-	-	-	-	480	480
Statutory deposit	0.2	-	75,000	-	-	75,000
Balances with other banks	-	-	-	-	28,093	28,093
Loans to customers	15.58	1,357,680	2,988,727	967,073	-	5,313,480
Other receivables	-	-	-	-	76,491	76,491
		1,357,680	3,063,727	967,073	105,910	5,494,390
<i>(KHR'000 equivalent)</i>						
		5,455,158	12,310,055	3,885,699	425,546	22,076,458
<b>Financial liabilities</b>						
Other payables	-	-	-	-	69,219	69,219
Borrowings	6.41	2,311,559	1,170,020	381,880	-	3,863,459
		2,311,559	1,170,020	381,880	69,219	3,932,678
<i>(KHR'000 equivalent)</i>						
		9,287,844	4,701,140	1,534,394	278,122	15,801,500

## As at 31 December 2018

	Weighted average effective interest rate	Within one year	One to five years	Over five years	Non-interest bearing	Total
	%	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>						
Cash on hand	-	-	-	-	9,727	9,727
Balances with National Bank of Cambodia:						
Current account	-	-	-	-	173	173
Statutory deposit	0.2	-	75,000	-	-	75,000
Balances with other banks	0.5	1,769	-	-	5,784	7,553
Loans to customers	16	605,678	2,238,555	135,031	-	2,979,264
Other receivables	-	-	-	-	41,849	41,849
		607,447	2,313,555	135,031	57,533	3,113,566
<b>Financial liabilities</b>						
Other payables	-	-	-	-	53,217	53,217
Borrowings	7.5	784,440	536,144	379,987	-	1,700,571
		784,440	536,144	379,987	53,217	1,753,788

### (iii) LIQUIDITY RISK

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

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

	On demand or within one year	One to five years	Over five years	Total
	US\$	US\$	US\$	US\$
<b>31 December 2018</b>				
Borrowings	2,993,467	869,992	381,880	4,245,339
Other payables	69,219	-	-	69,219
	3,062,686	869,992	381,880	4,314,558
<i>(KHR'000 equivalent)</i>	<i>12,305,872</i>	<i>3,495,628</i>	<i>1,534,394</i>	<i>17,335,894</i>
<b>31 December 2017</b>				
Borrowings	875,542	920,297	199,398	1,995,237
Other payables	53,217	-	-	53,217
	928,759	920,297	199,398	2,048,454

### (iv) FOREIGN CURRENCY RISK

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

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

## (v) CAPITAL MANAGEMENT

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

The table below summarises the composition of regulatory capital:

	2018		2017
	US\$	KHR'000	US\$
Share capital	1,500,000	6,027,000	1,500,000
Retained earnings/(Accumulated losses)	51,675	207,630	(98,042)
	1,551,675	6,234,630	1,401,958

## 27. TAXATION CONTINGENCIES

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

## 28. COMPARATIVE FIGURES

The comparative figures are from 2 June 2016 to 31 December 2017, which are not comparable to the current year's financial statements.







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អគារលេខ៩៣ មហាវិថីព្រះនរោត្តម សង្កាត់បឹងរាំង ខណ្ឌដូនពេញ រាជធានីភ្នំពេញ ព្រះរាជាណាចក្រកម្ពុជា  
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