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FAMILY Microfinance Plc.

ANNUAL REPORT

— **2019** —

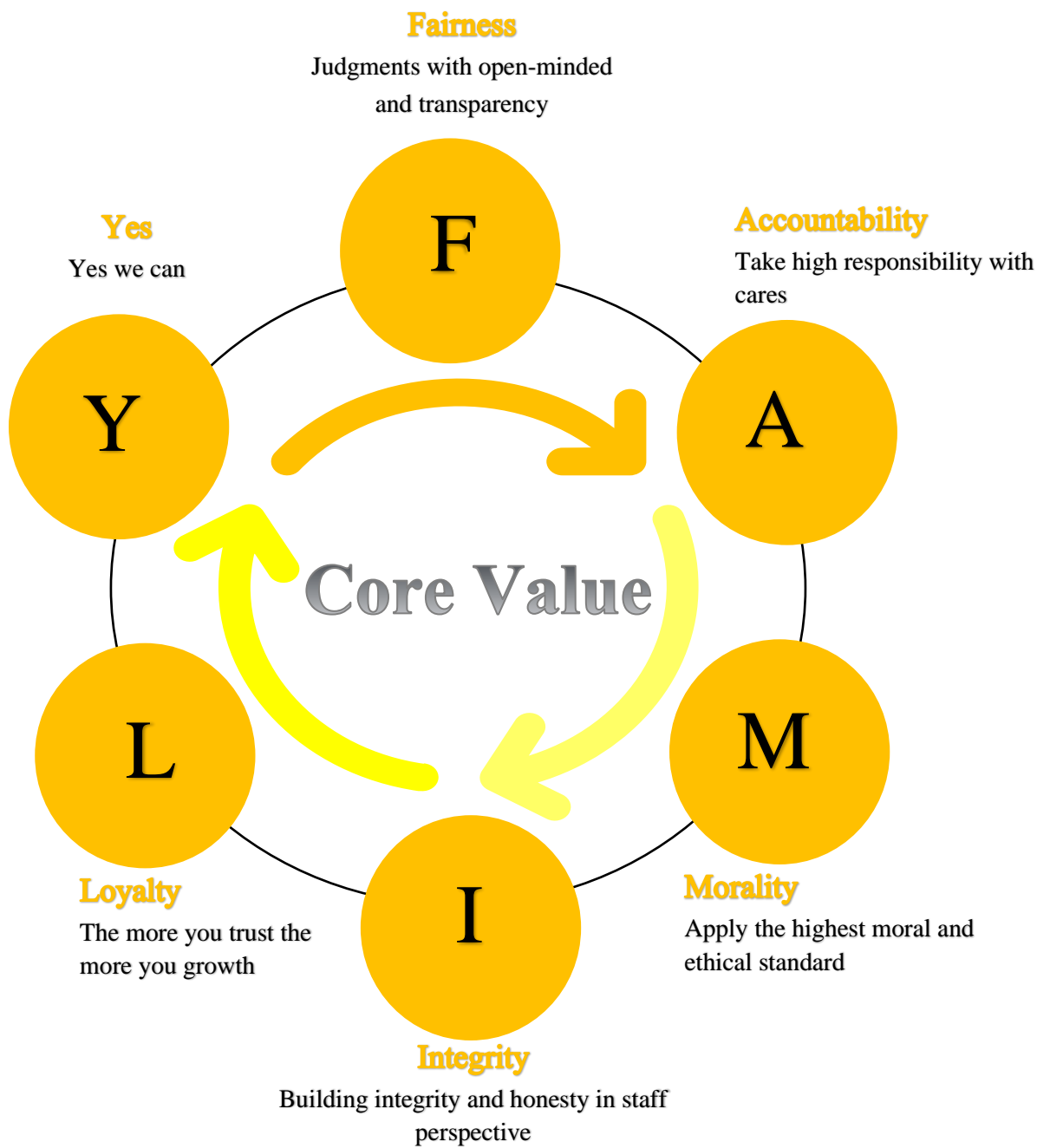
www.familymfi.com

Vision & Mission

VISION To be the first choice and best strategic partner that offers innovative financial solutions and produces sustainable values for shareholders, employees and communities.

MISSION To design innovative financial solutions and deliver good service to enrich a better quality of life.





 **Table of Contents**

Our Corporate Profile	1
1. About Family Microfinance Plc.....	1
2. Shareholders.....	2
3. Message from the Chairman	3
4. Social Activity	4
Our Management and Performance	6
5. Corporate Governance	6
6. Organization Structure	13
7. Board of Directors.....	14
8. Team Management.....	15
9. Product and Service	18
10. Business Performance	22
Our Financial Performance	23
11. Audited Financial Statement.....	28

Our Corporate Profile



1. About Family Microfinance Plc.

Family Microfinance Plc. is microfinance which was granted licensed by The National Bank of Cambodia (NBC) in 30 October 2018. Family Microfinance Plc. aim to provide finance solutions to individual and enterprises in Cambodia. We realize that our products and services together with professional and experienced staff will enable our customers and partners to achieve their business.

2. Shareholders



Mr. Wu Chen is businessman and recently a CEO of J&L Property Development, CEO of Focus Group Company, CEO of Jialong Construction & Investment Co., in Vietnam, Chairman of the board of Matsu International Property in Taiwan and Supervisor of counsel for Industrial & Commercial Development and the Director of Matsu Biotech.



Mr. Wu Tzu Yun is businessman and has more than 10 years of work experience in various industries such as Manager for Focus Footwear in Vietnam, General Manager for Matsu Biotechnology Ltd in Taiwan as well as GM for Matsu Property Development in Taiwan.

3. Message from the Chairman



Along with the economic recovery of advanced economies and emerging market economies, Cambodia still maintained the economic growth rate with an average of 6.9 percent in 2017. The growth momentum is projected to be at this similar level in the medium term. The key sectors that play crucial roles in supporting the economy are tourism, garments, construction, and agriculture, which had better performance relatively to previous year, and the export of other industrial products has also contributed to this growth.

The banking and microfinance sectors have expanded its operation in response to this context with highly competitive due to the fast-growing number of new entrants. As the end of 2019, there were 46 commercial banks, 15 specialized banks, 7 microfinance deposit-taking institutions, 75 microfinance institutions (no deposit-taking), 248 rural credit institutions, 15 financial lease companies, 6 representative offices and 1 credit bureau.

Hence, The Family Microfinance Plc. will play important role to provide finance solutions to individual and enterprises in Cambodia. We realize that our products and

services together with professional and experienced staff will enable our customers and partners to achieve their business.

For the future, we will continue to becoming a well-developed financial institution to offer the good products and services across the country. To do so, we continue our investment in advanced technology in order to become advanced digital financial institution to provide fast and convenience products and services to our customers accordingly.

4. Social Activity



JL Cambodia Charity Association, our three directors are the director of this association, worked hard all the time and started from scratch. During the period of entrepreneurship, they experienced hardships and experienced the pains of poverty and illness.

The Association focuses on helping poor people in Cambodia as well as medical services in remote areas. Helping people who are struggling to escape poverty through the material and financial substance. We hope due to the Cambodian JL Charity Association, the overseas people will give a love for those people are in need.

As of December 2019, there were many activities organized in Phnom Penh and Kep province were participate from Family Microfinance Plc.'s staffs and top management.



Our Management and Performance



5. Corporate Governance

Family Microfinance Plc. creates a corporate governance to provide greater confidence to all shareholders including partners, investors, suppliers, creditors, customers. In addition, good corporate governance ensures sustainable business operations, managing and addressing key business risks on time.

In order to focus on the critical functions of the company, the Board may constitute such committees and when required to ensure smooth functioning of the Company. The Board has constituted 5 committees namely:

- 1. Audit Committee**
- 2. Risk Committee**
- 3. Remuneration & Nomination Committee**
- 4. Disciplinary Committee**
- 5. Credit Committee**

Audit Committee

This Committee is constituted to ensure safe and sound corporate governance and it is vested with necessary power as defined in its Charter to achieve its objectives. The powers and terms of reference of the Audit Committee are comprehensive and comply with the requirement as set out by Article 131 of the Law on Commercial Enterprise, as well as Article 8 of the National Bank of Cambodia's Prakas B7-08-211 on Governance in Bank and Finance Institutions. The Chairman of this committee is a Non-Executive Independent Director who also answers all queries from shareholders at general meeting.

Membership:

The Committee shall be appointed by the Board, but it shall be not less than three (3) nor greater than five (5). The Chairman of this committee shall be an independent director of the Company and all the member also independent from the management of the Company. The AC members are as follows:

- Independent Board : Chairman
- Board of Director : Member
- Internal Audit Manager : Member

Meeting:

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

Duties and Responsibilities

- Ensuring that the information provided to public regulations and to other shareholders is completely disclosed, transparent, accurate and reliable.
- Assessing the relevance of the accounting methods used to prepare the individual and consolidated accounts, if any.
- Assessing the quality of internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommending further action where appropriate.
- Ensuring that the information included in the financial reports to the Board is complete, accurate, reliable, relevant, verifiable and timely.
- Recommending to the Board the external auditors and audit fee, commend and approve the scope of the audit and annual plan, prior to the Board approval.

- Appraising the internal audit and control procedures and review the output.
- Review the examination of financial and operating information
- Appraising that the external auditor is independent and without influence by management.
- Reviewing the quarterly reports and recommendations from the internal and external auditors and ensure that corrective actions are properly taken by the management within the deadlines.
- Ensuring that the audit is conducted in accordance with general accepted auditing principles.

Risk Committee

The Board of Directors of the Company has established a Committee of the Board to be known as the Risk Committee (“RC”) to meet requirements of governance to deliver best practice for the company. This committee will assist the Board in monitoring the risk management framework including the strategies, policies, procedures and systems. On top of that this Committee shall assist the Board and its other committees that oversee specific risk-related issues and serve as a resource to management by overseeing risk across the entire Company and across all type of risk.

Membership:

The RC shall be appointed by the Board and shall be comprised of 3 peoples. The chairman and the member shall be an independent from the management of the Company. The Board shall have the power at any time to remove members from the RC and to fill any vacancies created by such removal. The RC members are as follow:

- Mr. Kao Jung Hua : Chairman
- Mr. Wu Tzu Yun : Member
- Compliance Manager : Member

Meeting:

Meeting shall be done when appropriate, but at least 4 times a year. The Chairman of the RC may convene additional meetings if deemed necessary.

Duties and Responsibilities

- Review and discuss management’s assessment of the Company’s aggregate enterprise-wide risk profile and the alignment of the Company’s risk profile with the Company’s strategic plan, goals, objectives and risk appetite.
- Review and recommend to the Board of articulation and establishment of the Company’s overall risk tolerance and risk appetite, and shall approve amendments to the Company’s to the Company’s risk appetite statement, as appropriate.
- Discuss with management the policies and programs established by management (which, in some cases, may be subject to the review and approval by another committee of the Board) to identify, assess, measure, and manage the major risks facing the Company.
- The committee retains the right to request updates or changes to any such policies and programs, including those reviewed and approved by the Board’s other committees, based on the Committee’s assessment of enterprise-wide risk exposure and other matters it deems appropriate, and shall approve any policies or activities required to be approved by the committee by applicable law or regulation.
- Further which may otherwise be defined by the Board.

Remuneration & Nomination Committee

The Board of Directors of the Company has established a Committee of the Board to be known as the Remuneration and Nomination Committee (“RNC”) to meet requirements of governance to deliver best practice for the company. This committee will assist the Board in monitoring the implementation of company staff policy and guidelines, including total staff remuneration and competence building for Senior Management and staff and recommend any changes.

Membership:

The RNC members are as follows:

- Mr. Kao Jung Hua : Chairman
- Mr. Wu Tzu Yun : Member
- HR & Admin Manager : Member

Meeting:

The meeting shall be held when appropriate, but at least 3 (three) times a year. The Chairman of RNC may convene additional meetings if deemed necessary.

Duties and Responsibilities

- Reviewing that the staff remuneration policy is consistent with the long-term objectives and corporate values of the Company.
- Reviewing any bonuses, other benefits, including retention payments, to be paid to the Senior Management and in respect of any element of remuneration which is performance related, including performance related criteria.
- Reviewing of the amount of Board of Director fees and Committee meeting fees.
- Reviewing the procedures to replace and to select Board members.
- Reviewing that persons who will become Board and Board Committee members comply with company guidelines as required by NBC Prakas.
- Reviewing the social, environmental and governance framework and policy for company
- Further which may otherwise be defined by the Board of Director.

Disciplinary Committee

The Board of Family Microfinance Plc., has established a Disciplinary Committee (“DC”) for the adjudication, investigation, and when necessary the subsequent discipline of any member found to be in violation of the Code of Ethics and internal rule and policy.

Membership:

The DC members are as follows:

- Chief Executive Officer : Chairman
- HR & Admin Manager : Member
- Finance Manager : Member

Meeting:

Meetings of the Committee will be done regularly schedule by the Secretary of the Committee at the request of the Chairman.

Duties and Responsibilities

- Review and the nature of compliant or issues related to staff and discuss among member in detail.
- The committee shall be responsible for the decision making on issuing notices/warning/termination letter to persons involved in fraud case and other misconducts matters and all other administrative matters.
- To ensure the Code of Ethic, internal role and regulation are well aware by staff of the company.
- To ensure that all committee members are expected to conform to the mandatory confidentiality agreement required upon their appointment to be committee member or invitees.
- Determine disposition of the matter.
- Inform respondents and complainants about the discipline process as applicable.
- To appoint a Panel from within the Committee membership to hear the Compliant.
- To review the disciplinary process regularly ensure that hearings are fair and objective and to ensure practice notes are produced as appropriate.

Credit Committee

The Board of Directors of the Company has established a Credit Committee (“CC”) for ensure the compliance with program government and healthy loan portfolio. The purpose of this committee is to approve credit guidelines allowed beyond the signing approving authority limit. In addition, this committee will monitor the credit risk management frameworks and policies in concerning with the Company business as whole.

Membership:

The CC members are following:

- Chief Executive Officer : Chairman
- HR & Admin Manager : Member
- Credit Manager : Member
- Finance Manager : Member

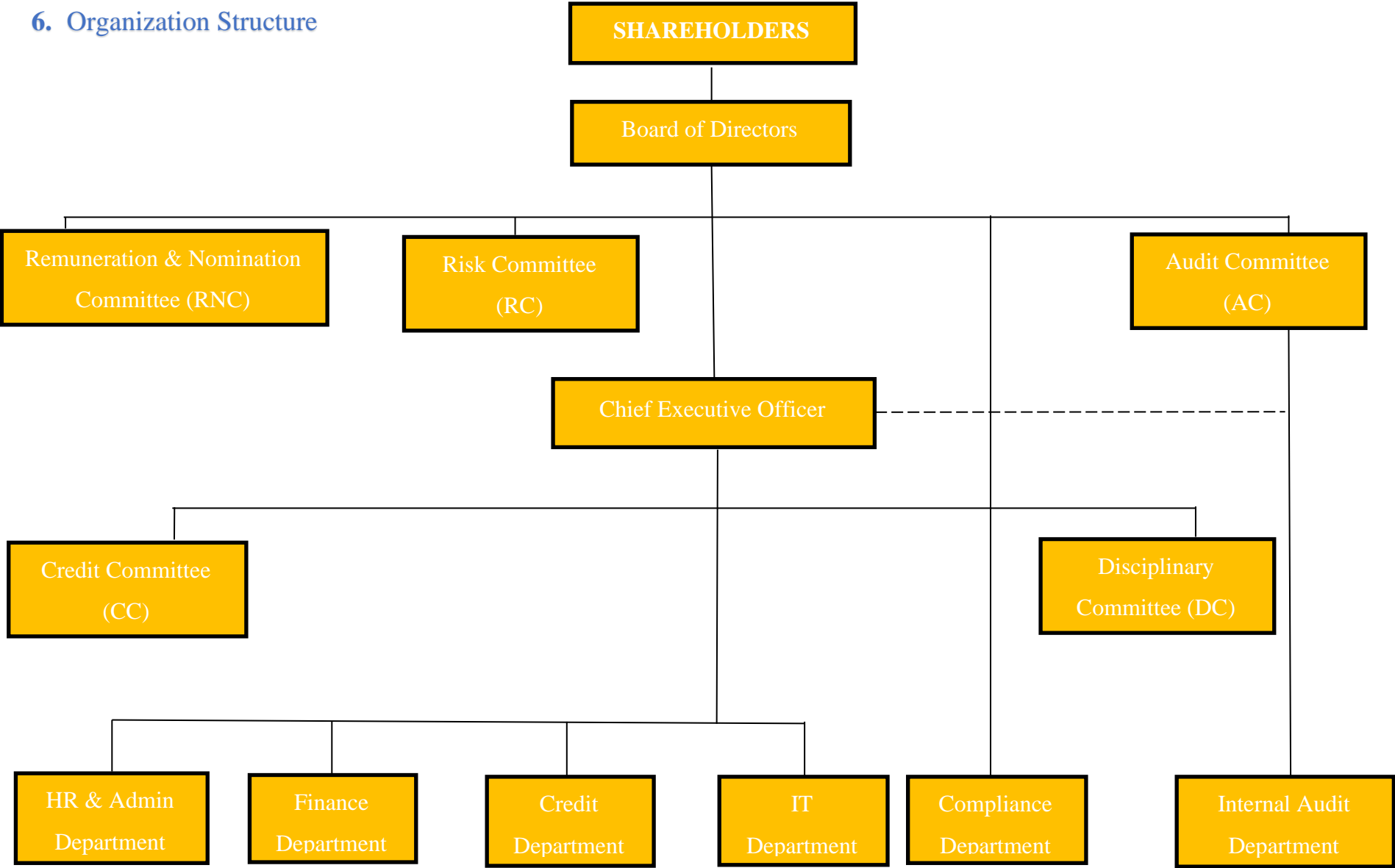
Meeting:

Approvals can be done via emails when there is a case exceeding the signing limit. A format meeting on other matters stated in the duties set below shall be held at least once month. The Chairman of the CC may convene additional meetings of deemed necessary.

Duties and Responsibilities

- To approve credit to a Customer or a group of related customers as it is beyond the signing approving authority limit.
- To ensure the credit underwriting is within the risk principle, government framework and credit policy of the Company.
- To approve customer's credit prevention and mitigation measures beyond the signing approving authority limit.
- Review on any new development, addition and revision of credit guidelines, credit operations, credit management of the company.
- To execute others duties and powers as may be assigned by the Risk Committee (RC)
- Review reports detailing the adequacy and overall effectiveness of the Company's credit risk management functions and reports on internal control, any recommendations, and confirm that appropriate action has been taken;
- The CC will review the credit risk identification and measurement methodologies.

6. Organization Structure



7. Board of Directors

Mr. Wu Chen

Mr. Wu Chen is the founder and Chairman of Board of Director of the Family Microfinance Plc., since July 2018. He is the businessman and recently a CEO of J&L Property Development, CEO of Focus Group Company, CEO of Jialong Construction & Investment Co., in Vietnam, Chairman of the board of Matsu International Property in Taiwan and Supervisor of counsel for Industrial & Commercial Development and the Director of Matsu Biotech.

Mr. Wu Tzu Yun

Mr. Wu Tzu Yun was appointed to the Board of Director of Family Microfinance Plc., since July 2019. He is the businessman and has more than 10 years of work experience in various industries such as Manager for Focus Footwear in Vietnam, General Manager for Matsu Biotechnology Ltd in Taiwan as well as GM for Matsu Property Development in Taiwan.

Mr. Kao Jung Hua

Mr. Kao Jung Hua was appointed to the Independent Board of Director of Family Microfinance Plc., since December 2019. He is also the Director and has more than 20 years of work experience in various industries such as director for Small & Medium Enterprise Credit Guarantee Fund, Bank Taiwan Securities, China Real Estate Management. The Vice President, Jing-Du Construction Co., Ltd, Taichung Commercial bank, and various position in Land Bank of Taiwan.

8. Team Management



Mr. KANG Leangpoar
Chief Executive Officer

Mr. KANG Leangpoar graduated Bachelor of Accounting in 2011 from Vanda Institute, Associate Degree in Banking in 2011 from Center for Banking Studies and Bachelor of English Literature in 2012 from University of Cambodia. He graduated his Master in Finance, Banking and Insurance in 2015 from University of Nantes, France. He has more than 9 years of professional experience in Banking and Financial Sector in Cambodia and he also has served several senior management levels during his professional experience. He served as Business Manager at

Cambodia Post Bank Plc. and before moving to the banking industry, he has 5 years of working experience in Cambodia Financial Market with several roles, including Head of Sale and Marketing, Chief Operating Officer and Deputy CEO at Cana Securities, a wholly-owned subsidiary of Canadia Bank Plc. He was a licensed Head of Operations, a qualified Securities Specialist and Head of Operations accredited by the Securities & Exchange Commission of Cambodia (SECC). Currently, he is Chief Executive Officer at Family Microfinance Plc.



Mr. HANG Borann
Head of Finance

Mr. HANG Borann is studying the MBA at Nationality University of Management. He received Bachelor's Degree of business administration (BBA), majoring of accounting from Chea Sim University of Kamchaymear (CSUK) in 2009. He worked as accounting officer (AO) at AMK Microfinance Plc for 4 years. Hereafter, he worked as Senior Accounting and Admin Officer at Sovann Phoum Social Development Plc for 3 years, and he worked as

Head of Finance Department at Apple Microfinance Plc (Transformed to Sunny Microfinance Plc) for 2 years. Then he worked as Finance Manager at T & GO Microfinance Plc for 2 years, and currently, he is working as Head of Finance Department at Family Microfinance Plc. is responsibilities for accounting role, finance management role, treasury management role, budget forecasting role, cash management role, tax declaration role.



Mr. KHAM Reoun
Internal Audit Manager

Mr. KHAM Reoun has been working for Family Microfinance Plc. since October 2019 by holding a position of Internal Audit Manager. Before working for Family Microfinance Plc., he had more than 8 years of experience as Credit Officer, Internal Auditor, Senior Auditor, Audit Unit manager with other MFI. He graduated Bachelor's Degree of Business Administration in 2011 at Human Resource University and graduated Master degree of Finance and Banking in 2017 at Norton University. In addition,

he has attended in various training courses such as Practical Credit Auditing at ACLEDA Bank, audit skills, Risk Management and many other courses.



Mrs. HING Layheang
Compliance Manager

Mrs. HING Layheang has experience as a Compliance and Legal Advisor almost 10 years. She has been appointed to the Compliance Manager of Family Microfinance Plc., in March 2019. She received a scholarship from the Harpswell Foundation in 2006, she got free accommodation and leadership training, allowing her to obtain a bachelor's degree in law and a Master in private law from Royal University of Law and Economics and associate degree on English literature from Human

Resource University. She completed an internship at the international firm Allen & Overy in Bangkok in 2010.



Mr. MANN Sochetra
Credit Manager

Mr. MANN Sochetra obtained his master of business administration at NORTON UNIVERSITY in 2012. He received a bachelor's degree of accounting at PHNOM PENH INTERNATIONAL UNIVERSITY (PPIU) in 2008. He had also joined in training in Cambodia on the real estate and property evaluation, Leadership and risk management.

He served at PRASAC microfinance institution from 2005 to April 2014, as a credit officer and then promoted to branch manager. In May 2014 -

October 2017, he was work at SACOMBANK (CAMBODIA) as a deputy branch manager at Phsar Hengly branch. In November 2017-2018, he worked at Active People Microfinance as an Operation manager. In 2019 to present, He was joined with Family microfinance Plc as a Credit Manager.



Mrs. SOR Sokunthea
HR & Admin Unit Manager

Mrs. SOR Sokunthea has been working for Family Microfinance Plc. since September 2019 in the position HR & Admin Unit Manager. Before working in Family Microfinance Plc. she has held various roles more than 10 years of experience as Teller, Accountant, and Human Resource functions with other MFI and Bank. For the education, she has graduated Bachelor's Degree of Accounting since 2009, and then she has achieved Master's Degree in 2015. She had attended of many courses related to HR functions with other institutions.



Mr. KEO Vandet
IT Unit Manager

Mr. KEO Vandet, He earned Bachelor Degree of Computer Science from Cambodia International Cooperation Institute in 2015. He joined Family Microfinance Plc. as IT Unit Manager in April 2019 and responsible for leading and controlling IT Department. He has experiences over 5 years in Banking and Financial Sectors including IT infrastructure, IT Security, Database & System Development, Project Management and Core Banking System. He has joined many technology trainings courses.



Ms. TAING MUYNGY
Secretary CEO

Ms. TAING MUYNGY, is studying the MBA at Nationality University of Management. she obtained a Bachelor's Degree of Accounting & Finance from University of Economic and Finance in 2018. She started working at Family Microfinance Plc. in February 2019 as CEO Secretary. She has experiences over 4 years in forwarder company and also used to be a Chinese teacher.

9. Product and Service

1. Business Loan



Product Features:

- Loan Size
 - Micro Loan: \$3,000 - \$10,000
 - Small Loan: >\$10,000 - \$50,000
 - Medium Loan: >\$50,000 - \$100,000
 - Micros SME: >\$100,000 - \$150,000
- Loan Term: up to 10 years
- Attractive interest rates with flexible repayment
- Fast loan approval request within 2 – 5 days
- Easy and convenient required documents

Required Documents:

- Both hard title & soft title are acceptable
- Age from 18 to 65 years old
- ID Card & other identity proof documents
- Permanent resident proof
- Employment Letter or other business income documents
- Clean profile without crime history

2. Mortgage Loan

**Product Features:**

- Loan Amount : \$10,000 - \$150,000
- Loan Term: up to 20 years
- Attractive interest rates with flexible repayment
- Fast loan approval within 2 – 5 days
- Easy and convenient required documents

Required Documents:

- Both hard title & soft title are acceptable
- Age from 18 to 65 years old

- ID Card & other identity proof documents
- Permanent resident proof
- Employment Letter or business income documents
- Clean profile without crime history

3. Vehicle Loan



Product Features:

- Loan Amount : \$5,000 - \$50,000
- Loan Term: up to 5 years
- Attractive interest rates with flexible repayment
- Fast loan approval within 1 – 3 days
- Easy and convenient required documents
- No Collateral Required

Required Documents:

- Age from 18 to 65 years old
- ID Card & other identity proof documents
- Employment Letter or business income documents
- Guarantor
- Vehicle ID Card

4. Personal Loan



Product Features:

- Loan Amount : \$500 - \$2,000
- Loan Term: up to 2 years
- Attractive interest rates with flexible repayment
- Fast loan approval within 1 – 2 days
- Easy and convenient required documents
- No Collateral Required

Required Documents:

- Age from 18 to 65 years old
- ID Card & other identity proof documents
- Employment Letter or business income documents
- Guarantor

10. Business Performance

Operational Performance

	2019 USD	2019 KHR'000
Loan Portfolio		
Gross Loan Portfolio	765,609	3,119,857
Number of Loan	22	22
Average Loan Portfolio	34,800	141,812
Loan Disbursement		
Total Loan Disbursement	949,718	3,870,101
Total Number of Loan Disbursed	25	25
Average Loan Disbursed	37,989	154,804
Loan by Industry		
Trade and Commerce	231,846	944,772
Household /Family	533,763	2,175,084
KHR Loan		
Total Loan Disbursement	81,718	333,000
Total Number of Loan Disbursed	5	5
Average Loan Disbursed	16,344	66,600
Loan Overdue	0.00	0.00

Financial Performance

	2019 USD	2019 KHR'000
Total Assets	1,057,957	4,311,175
Gross Loan Portfolio	765,609	3,119,857
Total Liabilities	17,204	70,106
Total Equity	1,040,753	4,241,069
Total Income	59,759	242,143
Profit Before Income Tax	15,205	61,611
Profit After Tax	(458,499)	(1,857,838)
Return on Asset	(43.41%)	
Return on Equity	(44.13%)	

Our Financial Performance

DIRECTOR'S REPORT

The directors hereby submit the report and the audited financial statements of the Company for the financial period from 31 July 2018 (date of incorporation) to 31 December 2019.

DIRECTORS

The names of directors of the Company who served during the financial period and up to the date of this report are as follows:

Wu Chen	Chairman
Wu Tzu Yun	Director

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible to ascertain that financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the results of its operations and its cash flow for the financial period from 31 July 2018 (date of incorporation) to 31 December 2019. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities (“CIFRS for SMEs”), supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- (ii) comply with disclosure requirements of CIFRS for SMEs and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departure in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operation in the foreseeable future; and
- (v) 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 the Company has complied with the above requirements in preparing the financial statements.

In the opinion of the directors, the accompanying financial statements of the Company are drawn up in accordance with CIFRS for SMEs so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the results of its operations and its cash flows for the period then ended.

PREPARATION OF THE FINANCIAL STATEMENTS

In the preparation of the financial statements, the directors have taken regard of the following matters:

- (i) all material transfers to or from reserves or provisions during the financial period are disclosed in the financial statements;
- (ii) adequate allowance for impairment losses on receivables and other current and non-current assets, if required, has been made;
- (iii) known bad debts had been written off, if any;
- (iv) existing methods of valuation of assets or liabilities is not misleading or inappropriate;
- (v) there are no known circumstances that would render any amount stated in the financial statements to be misleading;
- (vi) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial period in which this report is made;
- (vii) the results of the operations of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature;
- (viii) no contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

APPROVAL OF THE FINANCIAL STATEMENTS

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the financial period from 31 July 2018 (date of incorporation) to 31 December 2019 in accordance with CIFRS for SMEs.


WU CHEN

Mr. Wu Chen
Chairman

Phnom Penh, Kingdom of Cambodia
Date: 27 April 2020



To the Members of Family Microfinance Plc.

OPINION

We have audited the financial statements of Family Microfinance Plc. (“the Company”) which comprise the statement of financial position as at 31 December 2019 of the Company, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 31 July 2018 (date of incorporation) to 31 December 2019, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 38.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flow for the financial period then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”) and guidelines of the National Bank of Cambodia.

BASIS OF OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISA”). 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 ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 DIRECTOR FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”) and guidelines of the National Bank of Cambodia. The directors are also responsible for such internal controls as the directors determine are 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 of the Company, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to ceases operations, or have 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 CISA 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 a part of an audit in accordance with CISA, we exercise professional judgement and maintain professional skepticism 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 director.
- Conclude on the appropriateness of the 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 director 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

Our audit was conducted for the purpose of forming an opinion on the financial statements denominated in the functional currency of United States Dollar (“USD”). The translation of the financial statements from USD into Khmer Riel (“KHR”) using the closing and average rates as at 31 December 2019 and for the year then ended, respectively, is presented for the purpose of additional analysis and it does not form an integral part of the audited financial statements. The translation has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express any opinion on it.

Crowe (KH) Ltd.



Onn Kien Hoe

Director

Phnom Penh, Kingdom of Cambodia

Date: 27 April 2020

11. Audited Financial Statement

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 USD	2019 KHR'000
ASSETS			
Cash on hand	5	9,936	40,489
Deposits and placement with financial institutions	6	166,839	679,869
Loans and advances to customers	7	765,609	3,119,857
Other assets	8	5,219	21,267
Statutory deposits	9	75,000	305,625
Equipment	10	32,226	131,321
Intangible asset	11	3,128	12,747
TOTAL ASSETS		<u>1,057,957</u>	<u>4,311,175</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Other liabilities	12	<u>17,204</u>	<u>70,106</u>
EQUITY			
Share capital	13	1,500,000	6,000,000
Accumulated losses		(466,903)	(1,891,891)
Regulatory reserve		7,656	31,022
Translation reserve		-	101,938
TOTAL EQUITY		<u>1,040,753</u>	<u>4,241,069</u>
TOTAL LIABILITIES AND EQUITY		<u>1,057,957</u>	<u>4,311,175</u>

**STATEMENT OF COMPREHENSIVE INCOME****FOR THE FINANCIAL PERIOD FROM 31 JULY 2018****(DATE OF INCORPORATION TO 31 DECEMBER 2019)**

	Note	2019 USD	2019 KHR'000
Interest income	14	59,759	242,143
Gross profit		59,759	242,143
Other operating income	15	15,205	61,611
Payroll and other staff costs	16	(350,399)	(1,419,817)
Depreciation & amortization expense		(19,273)	(78,094)
Other operating expenses		(163,791)	(663,681)
(Loss) from operation		(458,499)	(1,857,838)
Allowance for impairment losses on loans	7	-	-
(Loss) before tax		(458,499)	(1,857,838)
Income tax expense	17	(748)	(3,031)
(Loss) for the year		(459,247)	(1,860,869)

The figures are for the financial period from 31 July 2018 (date of incorporation) to 31 December 2019.

	Share Capital USD	Accumulated losses USD	Regulatory Reserve	Total USD
As at 31.07.2018 (date of incorporation)	1,500,000	-	-	1,500,000
Loss for the year	-	(459,247)	-	(459,247)
Transfer	-	(7,656)	7,656	-
Balance at 31.12.2019	<u>1,500,000</u>	<u>(466,903)</u>	<u>7,656</u>	<u>1,040,753</u>

	Share Capital KHR'000	Accumulated losses KHR'000	Regulatory Reserve	Translation reserve KHR'000	Total KHR'000
As at 31.07.2018 (date of incorporation)	6,000,000	-	-	-	6,000,000
Loss for the year	-	(1,860,869)	-	-	(1,860,869)
Transfer	-	(31,022)	31,022	-	-
Translation difference	-	-	-	101,938	101,938
Balance at 31.12.2019	<u>6,000,000</u>	<u>(1,891,891)</u>	<u>31,022</u>	<u>101,938</u>	<u>4,241,069</u>

Note

2019
USD

2019
KHR'000

**CASH FLOWS FOR OPERATING
ACTIVITIES**

(Loss) before tax		(458,499)	(1,857,838)
Adjustments for :			
Depreciation of equipment	10	14,331	58,069
Amortization expense	11	4,942	20,025
Operating loss before working capital changes		(439,226)	(1,779,744)
Working capital changes:			
- loans and advance to customers		(765,609)	(3,119,857)
- other assets		(5,219)	(21,267)
- other liabilities		17,204	70,106
NET CASH FLOWS FOR OPERATION		(1,192,850)	(4,850,762)
Income tax paid		(748)	(3,031)
NET CASH FLOWS FOR OPERATING ACTIVITIES		(1,193,598)	(4,853,793)
CASH FLOWS FOR INVESTING ACTIVITIES			
Statutory deposit	9	(75,000)	(305,625)
Purchase of equipment	10	(46,557)	(189,720)
Purchase of intangible asset	11	(8,070)	(32,885)
NET CASH FLOWS FOR INVESTING ACTIVITIES		(129,627)	(528,230)
CASH FLOWS FOR FINANCING ACTIVITIES			
Issuance of shares		1,500,000	6,000,000
CASH FLOWS FROM FINANCING ACTIVITIES		1,500,000	6,000,000
NET DECREASE IN CASH AND CASH EQUIVALENTS		176,775	617,977
CASH AND CASH EQUIVALENTS AT BEGINNING		-	-

OF THE FINANCIAL PERIOD		
TRANSLATION DIFFERENCE	-	102,381
CASH AND CASH EQUIVALENTS AT END		
OF THE FINANCIAL PERIOD	<u>176,775</u>	<u>720,358</u>

Cash and cash equivalents comprise:

Cash on hand	9,936	40,489
Deposits and placement with financial institutions	166,839	679,869
Total	<u>176,775</u>	<u>720,358</u>

 **CASH ON HAND**

	2019 USD	2019 KHR'000
US Dollars	9,866	40,202
Khmer Riels	70	287
	<u>9,936</u>	<u>40,489</u>

 **DEPOSITS AND PLACEMENTS WITH BANKS**

	2019 USD	2019 KHR'000
Current account	500	2,038
Savings accounts	166,339	677,831
	<u>166,839</u>	<u>679,869</u>
By currency		
US Dollars	<u>166,839</u>	<u>679,869</u>

 **LOANS AND ADVANCES TO CUSTOMERS**

	2019 USD	2019 KHR'000
Individual loans	765,609	3,119,857
Allowance for impairment losses	-	-
Net loans and advances to customers	<u>765,609</u>	<u>3,119,857</u>

Changes in allowance for impairment losses are as follow:

	2019 USD	2019 KHR'000
At 31 July 2018	-	-
Transfer to profit or loss	-	-
Translation difference	-	-
At 31 December	-	-

Further analysis of the above loans and advances is provided as below:

(a) By maturity period	2019 USD	2019 KHR'000
Within one year	8,064	32,861
From one year to five years	167,091	680,896
More than five years	590,454	2,406,100
	<u>765,609</u>	<u>3,119,857</u>

(b) By performance		
Standard loans:		
- Secured	748,568	3,050,415
- Unsecured	17,041	69,442
Special mention loans:		
- Secured	-	-
- Unsecured	-	-
Substandard loans:		
- Secured	-	-
- Unsecured	-	-
Doubtful loans:		
- Secured	-	-
- Unsecured	-	-
Loss loans:		
- Secured	-	-
- Unsecured	-	-
	<u>765,609</u>	<u>3,119,857</u>

(c) By currency denomination		
USD	684,732	2,790,283
KHR	80,877	329,574
	<u>765,609</u>	<u>3,119,857</u>

(d) By status of residence		
Residents	449,764	1,832,788
Non-Residents	315,845	1,287,069
	<u>765,609</u>	<u>3,119,857</u>
(e) By relationship		
Non related party	<u>765,609</u>	<u>3,119,857</u>
(f) By industry:		
Trade and Commerce	231,845	944,769
Household/Family	533,764	2,175,088
	<u>765,609</u>	<u>3,119,857</u>
(g) By large exposure		
Non large exposure	<u>765,609</u>	<u>3,119,857</u>
(h). By interest rate per annum		
- Loans to customers		2019 9.99% - 15.6%

OTHER ASSETS

	2019	2019
	USD	KHR'000
Interests receivable	4,919	20,045
Others	300	1,222
	<u>5,219</u>	<u>21,267</u>

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Head Office

KH1+KH2 | St.105 | Sangkat Toul Sangke 1
Khan Russey Keo | Phnom Penh | Cambodia



023 901 688



info@familymfi.com



www.familymfi.com



Family Microfinance Plc.

