

AMK Microfinance Institution Plc.

Audited financial statements in accordance with
Cambodian Accounting Standards and
Regulations and Guidelines of the National Bank of Cambodia

as at 31 December 2018 and for the year then ended

AMK Microfinance Institution Plc.

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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of AMK Microfinance Institution Plc. ("the Company") is pleased to present its report and the Company's financial statements ("the financial statements") as at and for the year ended 31 December 2018.

THE COMPANY

The Company is a licensed micro-finance institution, incorporated in Cambodia and registered with the Ministry of Commerce as a public limited company under registration number 00007298, dated 30 April 2003. The Company is engaged primarily in the provision of micro-finance services to the low-income population of Cambodia through its headquarters in Phnom Penh and various offices in the Kingdom of Cambodia.

The Company was initially established in 1999 as Thanakea Ponleu Thmey ("TPT") Programme by Concern Worldwide, Cambodia ("CWC"). The Company, before 7 July 2014, was known as Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. On 29 January 2010, the Company obtained a Microfinance Deposit-Taking Institution ("MDI") license to conduct deposit-taking business from the National Bank of Cambodia. On 7 July 2014, the Ministry of Commerce approved the change in business name of the Company from Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. to AMK Microfinance Institution Plc.

On 9 May 2018, the National Bank of Cambodia ("NBC") approved on the transaction of shares purchased by The Shanghai Commercial and Savings Bank Limited ("SCSB") of 80.01% of the total shares. Agora Microfinance N.V. and AMK-Staff Association remain as other shareholders after the change to shareholding is completed. The Company's revised Memorandum and Article of Association was approved by NBC and endorsed by the Ministry of Commerce on 4 and 10 July 2018, respectively. The transaction was fully completed on 31 August 2018.

RESULTS OF OPERATIONS

The financial results of the Company for the year are set out in the income statement.

PAID UP CAPITAL

The paid up capital of the Company as at 31 December 2018 is KHR'000 120,327,300 or US\$29,947,063 (2017: KHR'000 79,127,300 or US\$19,600,520).

DIVIDENDS

No dividends were declared during the year.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year other than those disclosed in the financial statements.

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the Board of Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and the making of provisions for bad and doubtful loans, and satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

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

CURRENT ASSETS

Before the financial statements of the Company were drawn up, the Board of Directors took reasonable steps to ascertain that any current assets, other than loans, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realize.

At the date of this report, the Board of Directors is not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading or inappropriate in any material respect.

VALUATION METHODS

At the date of this report, the Board of Directors is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- No contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liabilities of the Company have become enforceable, or are likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, to affect substantially the results of the operations of the Company for the current financial year in which this report is made.

EVENTS SINCE THE BALANCE SHEET DATE

Except as disclosed elsewhere in the financial statements, at the date of this report, there were no other events, which occurred subsequent to 31 December 2018 that had significant impact on the financial position of the Company as at 31 December 2018.

THE BOARD OF DIRECTORS

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

Mr. Tanmay Chetan	Chairman
Mr. Tip Janvibol	Director
Mr. Kea Borann	Director
Ms. Heng Seida	Director (appointed on 05 April 2018)
Mr. John Con-Sing Yung	Director (appointed on 04 June 2018)
Mr. Chin-Kang Liu	Director (appointed on 10 July 2018)
Mr. Ru-Hung Wei	Director (appointed on 10 July 2018)
Ms. Pi-Fen Hsieh	Director (appointed on 10 July 2018)
Mr. Patrick Peter Power	Director (resigned on 27 December 2018)
Ms. Blandine Claudia Marie Pons	Director (resigned on 10 July 2018)
Mr. Joshua Dunham Morris	Director (resigned on 10 July 2018)
Mr. Michael Goh Chiang Huat	Director (resigned on 10 July 2018)

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Company.

DIRECTORS' INTERESTS

No members of the Board of Directors hold any direct interest in the equity of the Company.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which the Company was a party, with the object 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.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm which the director is a member, or with a company which the director has a material financial interest except as disclosed elsewhere in notes to the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with Cambodian Accounting Standards, and relevant regulations and guidelines issued by the NBC or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

- Set overall policies for the Company, ratify all decisions and actions that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the applicable accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Company has complied with these requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC.

On behalf of the Board of Directors:



Tanmay Chetan
Chairman

Phnom Penh, Kingdom of Cambodia

14 March 2019

Reference: 61211851/20329783

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of AMK Microfinance Institution Plc.

Opinion

We have audited the accompanying financial statements of AMK Microfinance Institution Plc. ("the Company"), which comprise the balance sheet as at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 4. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Sinratana Lan
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

14 March 2019

AMK Microfinance Institution Plc.

BALANCE SHEET
as at 31 December 2018

	Notes	31 December 2018		31 December 2017	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
ASSETS					
Cash on hand	3	79,801,749	19,861,062	69,444,503	17,202,007
Balances with the National Bank of Cambodia	4	276,768,398	68,882,130	169,383,997	41,957,889
Balances with banks	5	13,321,505	3,315,457	41,603,644	10,305,584
Loans to customers	6	975,318,202	242,737,233	810,721,760	200,822,829
Other assets	7	21,226,591	5,282,875	17,775,994	4,403,268
Property and equipment	8	17,996,668	4,479,011	16,665,624	4,128,220
Software	9	11,749,237	2,924,151	10,097,155	2,501,153
Deferred tax assets	15.2	7,137,972	1,776,499	5,969,108	1,478,600
TOTAL ASSETS		1,403,320,322	349,258,418	1,141,661,785	282,799,550
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	10	638,164,858	158,826,495	476,894,860	118,131,003
Income tax payable	15.1	6,365,457	1,584,235	7,341,834	1,818,636
Other liabilities	11	49,195,912	12,243,881	35,837,798	8,877,333
Borrowings	12	475,759,359	118,407,008	425,530,473	105,407,598
Subordinated debts	13	34,646,200	8,622,748	19,401,600	4,805,945
Provision for staff benefits	14	9,863,741	2,454,888	14,095,407	3,491,555
Total liabilities		1,213,995,527	302,139,255	979,101,972	242,532,070
SHAREHOLDERS' EQUITY					
Share capital	16	120,327,300	29,947,063	79,127,300	19,600,520
Share premium		149,505	37,209	149,505	37,034
Reserve	16	20,764,670	5,167,912	18,814,706	4,660,566
Retained earnings		48,083,320	11,966,979	64,468,302	15,969,360
Total shareholders' equity		189,324,795	47,119,163	162,559,813	40,267,480
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,403,320,322	349,258,418	1,141,661,785	282,799,550

The attached notes 1 to 27 form part of these financial statements.

AMK Microfinance Institution Plc.

INCOME STATEMENT

for the year ended 31 December 2018

	<i>Notes</i>	<i>31 December 2018</i>		<i>31 December 2017</i>	
		<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Operating income					
Interest income	17	178,117,459	44,329,880	191,654,847	47,474,572
Interest expense	18	(70,368,035)	(17,513,199)	(59,979,248)	(14,857,381)
Net interest income		107,749,424	26,816,681	131,675,599	32,617,191
Fee and commission expense	19	(9,392,173)	(2,337,524)	(11,860,093)	(2,937,848)
Other income	20	71,721,598	17,850,074	28,989,385	7,180,923
Total operating income		170,078,849	42,329,231	148,804,891	36,860,266
Grant income	22	665,667	165,671	491,421	121,729
Provision for losses on loans to customers	6	(14,228,206)	(3,541,116)	(13,021,747)	(3,225,600)
Other operating expenses	21	(122,324,762)	(30,444,192)	(107,777,037)	(26,697,309)
Profit before income tax		34,191,548	8,509,594	28,497,528	7,059,086
Income tax expense	15.1	(7,426,566)	(1,848,324)	(7,190,784)	(1,781,220)
Net profit for the year		26,764,982	6,661,270	21,306,744	5,277,866

The attached notes 1 to 27 form part of these financial statements.

AMK Microfinance Institution Plc.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	<i>Share capital</i>	<i>Share premium</i>	<i>Reserve</i>	<i>Retained earnings</i>	<i>Total</i>	
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>US\$ equivalent</i>
	<i>(Note 16)</i>		<i>(Note 16)</i>			<i>(Note 2.3.1)</i>
Balance as at 1 January 2018	79,127,300	149,505	18,814,706	64,468,302	162,559,813	40,457,893
Net profit for the year	-	-	-	26,764,982	26,764,982	6,661,270
Conversion of retained earnings to share capital	41,200,000	-	-	(41,200,000)	-	-
Appropriation to reserves	-	-	1,949,964	(1,949,964)	-	-
Balance as at 31 December 2018	120,327,300	149,505	20,764,670	48,083,320	189,324,795	47,119,163
<i>US\$ equivalent (Note 2.3.1)</i>	29,947,063	37,209	5,167,912	11,966,979	47,119,163	
Balance as at 1 January 2017	35,127,300	149,505	16,414,114	89,562,150	141,253,069	34,989,614
Net profit for the year	-	-	-	21,306,744	21,306,744	5,277,866
Conversion of retained earnings to share capital	44,000,000	-	-	(44,000,000)	-	-
Appropriation to reserves	-	-	2,400,592	(2,400,592)	-	-
Balance as at 31 December 2017	79,127,300	149,505	18,814,706	64,468,302	162,559,813	40,267,480
<i>US\$ equivalent (Note 2.3.1)</i>	19,600,520	37,034	4,660,566	15,969,360	40,267,480	

The attached notes 1 to 27 form part of these financial statements.

AMK Microfinance Institution Plc.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Notes	2018		2017	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
OPERATING ACTIVITIES					
Profit before income tax		34,191,548	8,509,594	28,497,528	7,059,086
<i>Adjustments:</i>					
Depreciation and amortization	21	6,045,420	1,504,584	5,771,658	1,429,690
Provision for losses on loans to customer		14,228,206	3,541,116	13,021,747	3,225,600
Provision for losses on balances with banks		132,501	32,977	-	-
Gain on disposal of property and equipment		(57,420)	(14,291)	(126,183)	(31,257)
<i>Movements in operating assets and liabilities:</i>					
Balances with the National Bank of Cambodia		(14,694,230)	(3,657,101)	(10,410,443)	(2,578,757)
Loans to customers		(178,824,648)	(44,505,886)	(225,596,763)	(55,882,280)
Other assets		(3,450,597)	(858,785)	(1,417,876)	(351,220)
Deposits from customers		161,269,998	40,136,884	122,489,475	30,341,708
Provision for staff benefits		(4,231,666)	(1,053,177)	2,458,041	608,878
Other liabilities		13,358,114	3,324,568	6,905,354	1,710,515
		27,967,226	6,960,483	(58,407,462)	(14,468,037)
Income tax paid	15.1	(9,571,807)	(2,382,232)	(7,955,386)	(1,970,619)
Net cash generated (used in) from operating activities		18,395,419	4,578,251	(66,362,848)	(16,438,656)
INVESTING ACTIVITIES					
Acquisition of property and equipment	8	(6,742,422)	(1,678,054)	(4,021,746)	(996,221)
Acquisition of software	9	(2,286,124)	(568,971)	(1,609,362)	(398,653)
Proceeds from disposal of property and equipment		57,420	14,291	657,049	162,757
Net cash used in investing activities		(8,971,126)	(2,232,734)	(4,974,059)	(1,232,117)
FINANCING ACTIVITIES					
Proceeds from borrowings		239,278,021	59,551,523	226,553,198	56,119,197
Proceeds from subordinated debt		20,090,000	5,000,000	(4,850,400)	(1,201,486)
Repayment of borrowings		(189,049,135)	(47,050,556)	(94,864,673)	(23,498,804)
Repayment of subordinated debt		(4,845,400)	(1,205,923)	-	-
Net cash generated from financing activities		65,473,486	16,295,044	126,838,125	31,418,907
Net increase in cash and cash equivalents		74,897,779	18,640,561	55,501,218	13,748,134
Cash and cash equivalents at beginning of year		238,786,976	59,149,610	183,285,758	45,401,476
Foreign exchange difference		-	279,704	-	-
Cash and cash equivalents at end of the year		313,684,755	78,069,875	238,786,976	59,149,610

AMK Microfinance Institution Plc.

STATEMENT OF CASH FLOWS (continued)
for the year ended 31 December 2018

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	<i>Notes</i>	<i>31 December 2018</i>		<i>31 December 2017</i>	
		<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Cash on hand	3	79,801,749	19,861,062	69,444,503	17,202,007
Balances with the National Bank of Cambodia	4	220,429,000	54,860,379	127,738,829	31,642,019
Balances with other banks	5	13,454,006	3,348,434	41,603,644	10,305,584
		<u>313,684,755</u>	<u>78,069,875</u>	<u>238,786,976</u>	<u>59,149,610</u>

The attached notes 1 to 27 form part of these financial statements.

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

1. CORPORATE INFORMATION

AMK Microfinance Institution Plc. ("the Company") is a licensed micro-finance institution ("MFI") incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Company was initially established in 1999 as Thanakea Ponleu Thmey ("TPT") Programme by Concern Worldwide, Cambodia ("CWC"). All assets, liabilities and accumulated donations of TPT were transferred to the Company on 1 July 2003 against the issue of shares. The Company commenced to trade on the date of the asset transfer. On 29 January 2010, the Company obtained a Microfinance Deposit-Taking Institution ("MDI") license from the National Bank of Cambodia ("NBC") to conduct deposit-taking business. On 7 July 2014, the Ministry of Commerce approved the change in business name of the Company from Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. to AMK Microfinance Institution Plc.

The registered office of the Company is currently located at #285, Yothapol Khemarak Phoumin Blvd. (St. 271), Sangkat Tomnub Teuk, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia. The Company operates its business in 150 offices (2017: 150 Offices).

The Company has the following guiding principles:

- Provide micro-finance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- Committed to openness and transparency in all areas of management and operations.
- Committed to developing processes/services and to adopting behaviours and standards that ensure optimum social performance, including client protection.
- A learning organisation where appropriate exchange and sharing of information will contribute to staff development, training and in policy and system improvements.

Employees

As at 31 December 2018, the Company had a total of 2,811 employees (31 December 2017: 2,494 employees).

The financial statements were authorized for issue by the Board of Directors on 14 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis. The Company maintains records and prepares financial statements in Khmer riel ("KHR") in accordance with NBC Prakas No. B7-07-164 dated 13 December 2007 on *Use of Language, Currency Unit and Exchange Rate for Accounting Records and Reports*.

The financial statements of the Company have been prepared in compliance with Cambodian Accounting Standards ("CASs") and relevant regulations and guidelines issued by the NBC.

Transactions in currencies other than KHR are translated into KHR at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than KHR at the balance sheet date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Fiscal year

The Company's fiscal year starts on 1 January and ends on 31 December.

2.1.2 Presentation of financial statements

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Company.

2.1.3 Standards not yet adopted

On 24 March 2016, the National Accounting Council of Cambodia ("NAC") announced that the implementation of Cambodian International Financial Reporting Standards ("CIFRSs") is deferred until the end of 2018. During the transition period, banks and financial institutions, including insurance companies, shall prepare progress report regarding the implementation of CIFRSs and report annually to the NAC and other regulators. The adoption of CIFRSs may have significant impact on the financial statements of the Company.

2.2 Significant accounting judgments and estimates

In applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements, as follows:

2.2.1 Functional currency

CAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- (i) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- (ii) The currency in which funds from financing activities are generated; and
- (iii) The currency in which receipts from operating activities are usually retained.

2.2.2 Estimated useful lives of property and equipment

The useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of these nonfinancial assets. There is no change in the estimated useful lives of property and equipment during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates (continued)

2.2.3 Operating leases

The Company has entered into property leases as a lessee for its office premises. The Company has determined that the lessor retained all the significant risks and rewards of ownership over this property based on the indicators of operating lease treatment. In determining whether or not there is an indication of operating lease treatment, the Company considers the following factors: retention of ownership title to the leased property, and period of lease contract relative to the estimated useful economic life of the leased property, bearer of executory costs, among others.

2.2.4 Impairment losses on loans to customers, other balance sheet facilities and off balance sheet facilities

When preparing the financial statements, the quality of loans to customers is reviewed and assessed to determine their classification and level of impairment losses. On 1 December 2017, the NBC issued Prakas B7-017-344 on *Credit Risk Grading and Impairment Provisioning* repealing NBC Prakas No. B7-02-186 that previously governs the credit classification and provisioning, as further disclosed in Note 2.3.7.1.

2.2.5 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

2.2.6 Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company's estimates of future taxable income indicate that temporary differences will be realized in the future. As such, the Company recognized deferred tax assets as at 31 December 2018 amounting to KHR7.14 billion or US\$1.78 million (2017: KHR5.97 billion or US\$1.48 million) as disclosed in Note 15.2.

2.3 Summary of significant accounting policies

2.3.1 Foreign currency translation

The Company's functional and presentation currency is KHR.

The financial statements are translated into United States dollar ("US\$") based on the closing exchange rate of KHR4,018 per US\$1 ruling at the reporting date (31 December 2017: KHR4,037), as announced by the NBC. Such translation should not be construed as a representation that US\$ amounts represent, or have been or could be, converted into US\$ at that or any other rate. All values in KHR and US\$ are rounded to the nearest thousand ("KHR'000") and dollar, respectively, except as otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.2 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

2.3.3 Operating leases

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

2.3.4 Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.3.5 Balances with the National Bank of Cambodia

Capital guarantee deposit and reserve balance are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum share capital and total deposits from customers, respectively. This account also includes current account carried at cost.

2.3.6 Balances with banks

Balances with banks are carried at cost.

2.3.7 Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal less any amounts written off and allowance for losses on loans.

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

Loans classified as substandard, doubtful or loss are considered non-performing.

2.3.7.1 Loan classification and allowance for losses on loans to customers

Allowance for losses on loans to customers is made with regard to specific risks and relates to those loans and advances that have been individually reviewed and specifically identified as special mention, substandard, doubtful or loss. and general allowance is also maintained for loans classified as normal.

The allowance is based on a percentage of total outstanding loans and advances.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3. Summary of significant accounting policies** (continued)**2.3.7 Loans to customers** (continued)**2.3.7.1 Loan classification and allowance for losses on loans to customers** (continued)

On 1 December 2017, the NBC issued Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning which repealed NBC Prakas No. B7-02-186 on Asset Classification and Provisioning effective from the date of the newly-issued Prakas. The new Prakas requires banks and financial institutions to calculate the regulatory provision by classifying their loan portfolio into five classes based on number of days past due of principal and/or interest repayment. The NBC issued Circular No. B7-018-001 dated 16 February 2018 to clarify the mandatory level of general and specific allowance provided based on the loan classification as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
<i>Loans (term of up to one year)</i>		
<i>General allowance</i>		
Normal	0 to 14 days	1%
<i>Specific allowance</i>		
Special mention	15 to 30 days	3%
Substandard	31 to 60 days	20%
Doubtful	61 to 90 days	50%
Loss	91 days or more	100%
<i>Loans (term of more than one year)</i>		
<i>General allowance</i>		
Normal	0 to 29 days	1%
<i>Specific allowance</i>		
Special mention	30 to 89 days	3%
Substandard	90 to 179 days	20%
Doubtful	180 to 359 days	50%
Loss	360 days or more	100%

The regulatory provision applies to all on and off balance sheet facilities of banks and financial institutions.

Further, the Prakas requires the comparison of the regulatory provision with the impairment provision determined based on CIFRS when adopted. During the transition period before the implementation of CIFRS, the Company follows the mandatory credit classification and regulatory provision in the Prakas.

In addition, the Company applies individual assessment for loan size over a materiality threshold of US\$10,000 or equivalent in other currency, based on facility review carried out at least annually, or more frequently where a review trigger occurs. Other loans are assessed collectively, applying the required maximum number of days past due at a minimum. Where information has been received which affects the client's financial status or their ability of willingness to repay the loan, this is used for classification where it results in a more severe classification being applied. Classification of loans is carried out on a monthly basis.

The provision is calculated as a percentage of the loan outstanding at the time the loan is classified, excluding accrued interest, and is charged as an expense. Interest accrued from non-performing loans is recorded as interest in suspense in balance sheet.

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

2.3.7.1 Loan classification and allowance for losses on loans to customers (continued)

Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

Loans are written off automatically when a client dies and in case where the loans remain unpaid based on the assessment of the management and upon the approval of the Board of Directors. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans. Recoveries on loans previously written off and reversals of previous allowance are disclosed together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

2.3.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Computer and office equipment	3 to 4 years
Motor vehicles	8 years
Motorcycles	5 years
Leasehold improvements	4 years

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated assets are retained in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets. If there is any indication that there has been a significant change in rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.3.9 Software

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of software, the amortization is revised prospectively to reflect the new expectations.

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

2.3.10 Other assets

Other assets are carried at estimated realizable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

2.3.11 Deposits from customers

Deposits from customers are stated at placement value.

2.3.12 Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalized and amortized over the term of the borrowings using straight-line method.

2.3.13 Subordinated debt

Subordinated debt is a long-term debt that is subordinated to all other liabilities of the Company. This is treated as part of the Company's liabilities and included in the Company's net worth computation after approval from NBC. Foreign exchange differences on subordinated debt are taken through the income statement.

2.3.14 Foreign currency forward and swap contracts

Foreign currency forward and swap contracts are initially measured at nil and subsequently measured at market value as the difference of the forward or swap rate compared with the spot rate. This measurement is in accordance with NBC Circular No. 07-012-001 dated 19 January 2012 on "Accounting for Currency Swap or Forward Contract".

2.3.15 Employee benefits

Provision for staff pension fund

The Company provides its employees with benefits under the staff pension fund policy. Employees who complete three months of service with the Company have to participate in the staff pension fund scheme. The fund is sourced from the following:

- Employees contribute 3% of their monthly salary, and the Company contributes 6% for employees who are working less than or equal to three years, and 7% for employees working in the Company for over three years. The Company's contribution is charged to the income statement.
- The Company contributes interest on the cumulative balance of the staff pension fund computed at 7% per annum. This interest is charged to the income statement.

The staff pension fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment. The employee's contribution and interest are paid in full accordingly.

Those who have been terminated due to serious misconduct are only entitled to his/her contribution plus interest, regardless of how long they have been employed by the Company.

Seniority payment

On 21 September 2018, the Ministry of Labor and Vocational Training ("MoLVT") has issued a Prakas No. 443 on Seniority Payment, to all enterprises, establishments and those who are covered by the provisions of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment (prior to the release of the Prakas) which equal to fifteen days per year of employees' wages which shall be paid to them as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

2.3.15 Employee benefits (continued)

Seniority payment (continued)

- seven and half days shall be made in June next year
- seven and half days shall be made in December next year

The retroactive seniority payment shall not exceed 6 months of employee's average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

The Company has estimated and recognized the seniority benefit obligation of KHR'000 5,534,875 or US\$ 1,377,520 in financial statements for the year ended 31 December 2018.

2.3.16 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 on the amount of the obligation.

2.3.17 Recognition of income or expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest income or expense

Interest income from loans to customers, and balances with the NBC and other banks is recognized on an accrual basis, except for loans to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans shall instead be credited to an interest in suspense account. Subsequently, interest income from these loans is recognized on a cash basis. Interest in suspense is presented net of accrued interest receivable in 'Other assets'.

Interest expense is recognized on an accrual basis.

(ii) Fee and commission income and expense

The Company earns fee and commission income from a diverse range of services it provides to its customers, mainly from loan processing. Fee and commission income is presented as part of other income.

The Company charges loan processing fees and loan administrative fees to its customers. These loan fees are an integral part of the loan and as such, management reassessed the appropriateness of the accounting policy. The loan processing fees are collected outright when the loan is disbursed to customers and are recognized as income on a straight-line basis over the term of the loan. The unamortised loan processing fees are shown as a deduction from the balance of loans to customers. Loan administrative fee is charged on a monthly basis based on the original loan balance and is recognized as income on a monthly basis.

Fee and commission expense is charged to the income statement when the expense is incurred. Fees on borrowings are amortised on a straight-line basis over the term of the related borrowings.

(iii) Operating expenses

Operating expenses are recognized on an accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Summary of significant accounting policies (continued)

2.3.18 Grants

Grants received from third parties to subsidise the Company's operating expenses are released to the income statement on a systematic and rational basis, matching the related costs which they are intended to compensate.

Grants received from third parties for the purchase of property and equipment are amortised to the income statement on a systematic and rational basis over the useful life of the assets. The unamortised grants are shown as deferred grant income.

2.3.19 Related parties

Parties are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Company and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (i) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (ii) any company of which the Company directly or indirectly holds at least 10% of the capital or voting rights;
- (iii) any individual who participates in the administration, direction, management or internal control; and
- (iv) the external auditors.

2.3.20 Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

3. CASH ON HAND

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Head office	6,000,934	1,493,513	2,836,918	702,729
Branches	73,800,815	18,367,549	66,607,585	16,499,278
	79,801,749	19,861,062	69,444,503	17,202,007

Cash on hand by currency comprises the following:

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Khmer Riel ("KHR")	34,969,773	8,703,278	33,701,566	8,348,171
US Dollar ("US\$")	41,322,510	10,284,348	33,893,992	8,395,837
Thai Baht ("THB")	3,509,466	873,436	1,848,945	457,999
	79,801,749	19,861,062	69,444,503	17,202,007

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current accounts	81,224,909	20,215,259	31,216,009	7,732,477
Capital guarantee (i)	12,032,730	2,994,706	96,522,820	23,909,542
Negotiable certificate of deposit ("NCD") (ii)	139,204,091	34,645,120	7,912,730	1,960,052
Reserve requirement (iii)	44,306,668	11,027,045	33,732,438	8,355,818
	276,768,398	68,882,130	169,383,997	41,957,889

- (i) Under NBC Prakas No. B7-00-06 on Licensing of MFIs dated 11 January 2000, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.
- (ii) The NCD amounting to KHR200.00 million is used as collateral against the overdraft facility with the NBC in connection with the Fast and Secure Transfer ("FAST") service. The FAST service provides instant Riel-denominated fund transfers between banking institutions. The overdraft line as at 31 December 2018 is unutilized. NCD amounting to KHR74.90 billion is used as collateral (for currency hedge purpose) against the borrowing with the NBC (Note 12).
- (iii) The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by NBC Prakas B7-07-163 on Licensing of MDIs. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA** (continued)

The capital guarantee deposit and NCD earn annual interest at 3.00% (2017: 3.00%) and at rates ranging from 0.72% - 1.00% in 2018 (2017: 0.96% - 1.40%), respectively. Current accounts do not earn interest.

5. BALANCES WITH BANKS

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Current accounts	4,072,882	1,013,659	7,829,764	1,939,501
Savings accounts	9,381,124	2,334,775	33,773,880	8,366,083
	13,454,006	3,348,434	41,603,644	10,305,584
Allowance for cash placement with other banks				
General provision	(132,501)	(32,977)	-	-
Balances with banks - net	13,321,505	3,315,457	41,603,644	10,305,584

The current accounts do not earn interest. Savings accounts earn annual interest at 0.015% - 1.50% in 2018 (2017: 0.05% - 1.50%).

Balances with banks analysed by currency are as follows:

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
KHR	2,565,225	638,434	10,164,932	2,517,942
US\$	5,376,724	1,338,159	27,005,500	6,689,497
THB	5,379,556	1,338,864	4,433,212	1,098,145
	13,321,505	3,315,457	41,603,644	10,305,584

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**6. LOANS TO CUSTOMERS**

Loans to customers are categorized as follows:

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
<i>Village bank loans</i>				
End of term	213,843,667	53,221,420	192,380,211	47,654,251
Credit line	248,703,396	61,897,311	155,063,317	38,410,532
Instalment	62,872,372	15,647,678	145,376,415	36,011,002
<i>Individual loans</i>				
Instalment	437,245,958	108,821,791	237,502,371	58,831,402
Credit line	16,855,183	4,194,919	29,857,515	7,395,966
End of term	36,926,733	9,190,327	76,610,671	18,977,130
Gross loans to customers	1,016,447,309	252,973,446	836,790,500	207,280,283
Allowance for losses on loans to customers				
Specific	(11,993,477)	(2,984,937)	(10,098,237)	(2,501,421)
General	(9,778,480)	(2,433,668)	(8,328,434)	(2,063,026)
Total allowance	(21,771,957)	(5,418,605)	(18,426,671)	(4,564,447)
Unamortised loan processing fees	(19,357,150)	(4,817,608)	(7,642,069)	(1,893,007)
Loans to customers - net	975,318,202	242,737,233	810,721,760	200,822,829

Movements of allowance for losses on loans to customers:

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
At beginning of year	18,426,671	4,564,447	12,032,475	2,980,549
Provision during the year	14,228,206	3,541,116	13,021,747	3,225,600
Write-offs during the year	(10,882,920)	(2,708,542)	(6,627,551)	(1,641,702)
Foreign exchange difference	-	21,584	-	-
At end of year	21,771,957	5,418,605	18,426,671	4,564,447

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**6. LOANS TO CUSTOMERS** (continued)

Further analyses of loans to customers are set out below.

(a) By grade of loans to customers

Loan grading is classified following the NBC's Prakas No. B7-02-186 (Note 2.3.7.1), as presented below:

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
<i>Standard loans</i>				
Secured	411,126,840	102,321,264	351,676,940	87,113,436
Unsecured	566,721,153	141,045,583	467,564,305	115,819,744
<i>Special mention loans</i>				
Secured	12,868,009	3,202,591	2,314,653	573,360
Unsecured	8,739,900	2,175,187	2,219,382	549,760
<i>Substandard loans</i>				
Secured	2,918,307	726,308	750,568	185,922
Unsecured	3,030,714	754,284	1,856,065	459,763
<i>Doubtful loans</i>				
Secured	404,770	100,739	161,264	39,947
Unsecured	1,369,128	340,748	1,502,087	372,080
<i>Loss loans</i>				
Secured	4,473,033	1,113,249	3,165,743	784,182
Unsecured	4,795,455	1,193,493	5,579,493	1,382,089
Total gross loans	1,016,447,309	252,973,446	836,790,500	207,280,283

(b) By maturity

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	48,784,510	12,141,490	52,055,677	12,894,644
More than 1 month to 3 months	210,459,958	52,379,283	167,499,188	41,491,005
More than 3 months to 12 months	554,233,105	137,937,557	425,170,251	105,318,368
More than 1 year to 5 years	200,952,032	50,012,950	189,960,533	47,054,876
More than 5 years	2,017,704	502,166	2,104,851	521,390
	1,016,447,309	252,973,446	836,790,500	207,280,283

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**6 LOANS TO CUSTOMERS** (continued)

(c) By residency, relationship, currency and industry sector

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
<i>Residency</i>				
Residents	1,016,447,309	252,973,446	836,790,500	207,280,283
<i>Relationship</i>				
External customers	993,543,716	247,273,200	823,749,428	204,049,895
Staff loans	22,903,593	5,700,246	13,041,072	3,230,388
	1,016,447,309	252,973,446	836,790,500	207,280,283
<i>Currency</i>				
KHR	684,900,425	170,458,044	597,116,535	147,910,957
US\$	280,842,590	69,896,115	200,362,407	49,631,510
THB	50,704,294	12,619,287	39,311,558	9,737,816
	1,016,447,309	252,973,446	836,790,500	207,280,283
<i>Industry sector</i>				
Agriculture	308,651,567	76,817,213	337,725,296	83,657,492
Trade and commerce	177,453,965	44,164,750	219,516,757	54,376,209
Services	80,782,945	20,105,263	161,110,326	39,908,429
Construction	262,147,656	65,243,319	105,729,575	26,190,135
Household	146,444,924	36,447,218	11,542,639	2,859,212
Transportation	15,340,556	3,817,958	1,144,347	283,465
Others	25,625,696	6,377,725	21,560	5,341
	1,016,447,309	252,973,446	836,790,500	207,280,283

(d) By location

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Head office	7,661,647	1,906,831	2,993,361	741,482
Branches	1,008,785,662	251,066,615	833,797,139	206,538,801
	1,016,447,309	252,973,446	836,790,500	207,280,283

(e) Annual interest rates

	31 December 2018	31 December 2017
External customers	15.60% - 18.00%	17.40% - 36.00% (before April) 15.60% - 18.00% (after April)
Staff loans		
Educational	2.00%	2.00%
Others	5.00% - 10.00%	10.00% - 11.00%

On 13 March 2017, the NBC issued Prakas B7-017-109 requiring all microfinance institutions to observe a maximum interest rate of 18.00% per annum on all loans issued, restructured or refinanced from 1 April 2017.

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

7. OTHER ASSETS

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$</i>	<i>KHR'000</i>	<i>US\$</i>
		<i>equivalent</i>		<i>equivalent</i>
		<i>(Note 2.3.1)</i>		<i>(Note 2.3.1)</i>
Interest receivable	9,334,963	2,323,286	8,670,597	2,147,782
Prepayments	7,754,799	1,930,015	6,522,128	1,615,588
Others	4,136,829	1,029,574	2,583,269	639,898
	21,226,591	5,282,875	17,775,994	4,403,268

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

8. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements</i>	<i>Motor vehicles</i>	<i>Motorcycles</i>	<i>Computer and office equipment</i>	<i>Construction in progress</i>	<i>Total</i>	<i>US\$ equivalent (Note 2.3.1)</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	
Cost							
As at 1 January 2018	3,677,325	4,551,754	12,518,246	15,312,175	2,077,963	38,137,463	9,491,653
Additions	328,550	848,299	1,921,489	1,157,821	2,551,646	6,807,805	1,694,327
Disposals	(3,995)	(399,346)	-	(17,393)	-	(420,734)	(104,712)
Transfers	75,762	-	-	2,458,891	(2,534,653)	-	-
As at 31 December 2018	4,077,642	5,000,707	14,439,735	18,911,494	2,094,955	44,524,534	11,081,268
Accumulated depreciation							
As at 1 January 2018	2,394,655	2,376,992	5,851,384	10,848,809	-	21,471,840	5,343,913
Depreciation	622,679	398,458	1,528,685	2,926,938	-	5,476,760	1,363,056
Disposals	(3,995)	(399,346)	-	(17,393)	-	(420,734)	(104,712)
As at 31 December 2018	3,013,339	2,376,104	7,380,069	13,758,354	-	26,527,866	6,602,257
Net book value							
As at 31 December 2018	1,064,303	2,624,603	7,059,666	5,153,140	2,094,956	17,996,668	
US\$ equivalent (Note 2.3.1)							
As at 31 December 2018	264,884	653,211	1,757,010	1,282,514	521,393	4,479,011	

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

8. PROPERTY AND EQUIPMENT (continued)

	<i>Leasehold improvements</i>	<i>Motor vehicles</i>	<i>Motorcycles</i>	<i>Computer and office equipment</i>	<i>Construction in progress</i>	<i>Total</i>	<i>US\$ equivalent (Note 2.3.1)</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	
Cost							
As at 1 January 2017	3,280,660	4,144,141	12,713,615	13,783,493	2,106,379	36,028,288	8,924,520
Additions	386,014	407,613	1,403,414	1,456,806	367,899	4,021,746	996,221
Disposals/write-offs	(62,682)	-	(1,598,783)	(119,355)	(131,751)	(1,912,571)	(473,760)
Transfers	73,333	-	-	191,231	(264,564)	-	-
As at 31 December 2017	3,677,325	4,551,754	12,518,246	15,312,175	2,077,963	38,137,463	9,446,981
Accumulated depreciation							
As at 1 January 2017	1,613,510	2,091,105	5,672,391	8,205,993	-	17,582,999	4,355,462
Depreciation	782,960	285,887	1,445,739	2,755,960	-	5,270,546	1,305,560
Disposals/write-offs	(1,816)	-	(1,266,746)	(113,144)	-	(1,381,706)	(342,261)
As at 31 December 2017	2,394,654	2,376,992	5,851,384	10,848,809	-	21,471,839	5,318,761
Net book value							
As at 31 December 2017	1,282,671	2,174,762	6,666,862	4,463,366	2,077,963	16,665,624	
US\$ equivalent (Note 2.3.1)							
As at 31 December 2017	317,729	538,707	1,651,440	1,105,615	514,729	4,128,220	

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**9. SOFTWARE**

	<i>Software</i>	<i>Work in progress</i>	<i>Total</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>
Cost			
As at 1 January 2018	6,695,562	9,247,315	15,942,877
Additions	602,708	1,683,415	2,286,123
Transfers	1,922,162	(1,922,162)	-
As at 31 December 2018	9,220,432	9,008,568	18,229,000
Accumulated amortisation			
As at 1 January 2018	5,845,722	-	5,845,722
Amortisation	634,041	-	634,041
As at 31 December 2018	6,479,763	-	6,479,763
Net book value			
As at end of the year	2,740,669	9,008,568	11,749,237
US\$ equivalent (Note 2.3.1)			
As at 31 December 2018	682,098	2,242,053	2,924,151
	<i>Software</i>	<i>Construction in progress</i>	<i>Total</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>
Cost			
As at 1 January 2017	6,421,986	7,911,529	14,333,515
Additions	111,211	1,498,151	1,609,362
Transfers	162,365	(162,365)	-
As at 31 December 2017	6,695,562	9,247,315	15,942,877
Accumulated amortisation			
As at 1 January 2017	5,344,610	-	5,344,610
Amortisation	501,112	-	501,112
As at 31 December 2017	5,845,722	-	5,845,722
Net book value			
As at end of the year	849,840	9,247,315	10,097,155
US\$ equivalent (Note 2.3.1)			
As at 31 December 2017	210,513	2,290,640	2,501,153

10. DEPOSITS FROM CUSTOMERS

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent</i> (Note 2.3.1)	<i>KHR'000</i>	<i>US\$ equivalent</i> (Note 2.3.1)
Savings deposits	222,435,050	55,359,644	194,761,260	48,244,057
Term deposits	415,729,808	103,466,851	282,133,600	69,886,946
	638,164,858	158,826,495	476,894,860	118,131,003

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

10. DEPOSITS FROM CUSTOMERS (continued)

(a) *By maturity*

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within 1 month	287,177,459	71,472,737	237,613,359	58,858,895
More than 1 month to 3 months	71,000,471	17,670,600	55,568,302	13,764,752
More than 3 months to 12 months	238,147,130	59,270,067	140,901,026	34,902,409
More than 12 months	41,839,798	10,413,091	42,812,173	10,604,947
	638,164,858	158,826,495	476,894,860	118,131,003

Further analyses on deposits from customers follow:

(b) *By currency*

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	313,084,395	77,920,457	297,092,477	73,592,390
US\$	307,552,382	76,543,649	165,805,761	41,071,529
THB	17,528,081	4,362,389	13,996,622	3,467,084
	638,164,858	158,826,495	476,894,860	118,131,003

(c) *By relationship*

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Non-related parties	635,970,256	158,280,302	474,361,301	117,503,419
Related parties	2,194,602	546,193	2,533,559	627,584
	638,164,858	158,826,495	476,894,860	118,131,003

(d) *By interest rate per annum*

	31 December 2018	31 December 2017
Savings deposits	0.5% - 5.00%	0.50% - 5.00%
Term deposits	1.00% - 12.50%	1.00% - 12.50%

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

11. OTHER LIABILITIES

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Interest payable	21,119,851	5,256,309	17,862,049	4,424,585
Accrual and other payables	14,838,406	3,692,983	4,787,272	1,185,849
Personnel and other related costs	8,875,868	2,209,026	7,278,085	1,802,844
Swap and forward exchange contracts	1,444,608	359,534	560,485	138,837
Taxes payable	2,917,180	726,029	5,349,907	1,325,218
	49,195,912	12,243,881	35,837,798	8,877,333

12. BORROWINGS

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
National Bank of Cambodia (*)	71,840,000	17,879,542	92,000,000	22,789,200
BlueOrchard Finance Ltd	57,458,590	14,300,296	41,005,665	10,157,460
Industrial and Commercial Bank of China Limited, Phnom Penh Branch	56,266,000	14,003,484	28,259,000	7,000,000
Instituto De Crédito Oficial of The Kingdom of Spain	55,713,249	13,865,915	68,588,334	16,989,927
Incofin Investment Management	32,292,500	8,036,959	20,185,000	5,000,000
PROPARCO (**)	32,152,000	8,001,991	-	-
Oikocredit, Ecumenical Development Co-operative Society, U.A	22,450,622	5,587,512	27,701,224	6,861,834
Nordic Microfinance Initiative AS	20,000,000	4,977,601	20,000,000	4,954,174
Union Commercial Bank Plc.	18,420,416	4,584,474	-	-
WaterCredit Investment Fund 3, LLC	12,057,000	3,000,747	-	-
Triodos Investment Management B.V	10,629,767	2,645,537	10,666,667	2,642,226
responsAbility Global Microfinance Fund	9,555,854	2,378,261	11,755,035	2,911,824
Triple Jump B.V.	8,146,000	2,027,377	-	-
RHB Indochina Bank	8,100,000	2,015,928	-	-
Deutsche Bank AG (Global Commercial Microfinance Consortium II B.V.)	8,038,000	2,000,498	16,148,000	4,000,000
Sathapana Bank Plc	8,011,237	1,993,837	12,000,000	2,972,504
Advanced Bank of Asia Limited	8,000,000	1,991,040	-	-
Grameen Credit Agricole Microfinance Foundation	6,758,520	1,682,061	9,215,460	2,282,750
Bank IM Bistum Essen eG	6,028,500	1,500,373	10,092,500	2,500,000
TBB (Cambodia) Microfinance	5,619,000	1,398,457	-	-
Microvest EDF Master Fund, LTD	5,224,700	1,300,324	-	-
Foreign Trade Bank of Cambodia	4,137,224	1,029,672	-	-
Vattanac Bank Limited	4,055,430	1,009,316	9,933,338	2,460,574
Kookmin Bank Cambodia Plc	3,800,000	945,744	8,074,000	2,000,000
Khun Heang	1,004,750	250,062	1,009,250	250,000
Microvest GMG Local Credit Master Fund, Ltd	-	-	14,465,000	3,583,106
Symbiotics SA Information	-	-	14,267,500	3,534,184
ASN Novib Microkredietfonds	-	-	8,146,000	2,017,835
Leap Philanthropy Ltd	-	-	2,018,500	500,000
	475,759,359	118,407,008	425,530,473	105,407,598

12. BORROWINGS (continued)

(*) This balance represents currency hedge instrument with NBC through its liquidity-providing collateralized operation (LPCO) mechanism against the NCD as in Noted 4.

(**) PROPARGO: Société de Promotion et de Participation pour la Coopération Economique

All Company's borrowings other than with the NBC (Note 4) are unsecured.

Further analyses of borrowings follow:

(a) By currency

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	142,956,556	35,579,033	159,061,667	39,400,958
US\$	304,424,609	75,765,209	238,794,606	59,151,500
THB	28,378,194	7,062,766	27,674,200	6,855,140
	475,759,359	118,407,008	425,530,473	105,407,598

(b) By maturity

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	21,566,823	5,367,552	5,316,738	1,317,002
More than 1 month to 3 months	26,059,904	6,485,790	9,447,440	2,340,213
More than 3 months to 12 months	176,874,804	44,020,608	171,045,743	42,369,518
More than 1 year to 5 years	251,257,828	62,533,058	230,677,504	57,140,823
Over 5 years	-	-	9,043,048	2,240,042
	475,759,359	118,407,008	425,530,473	105,407,598

13. SUBORDINATED DEBT

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
PROPARGO (*)	14,551,200	3,621,503	19,401,600	4,805,945
BlueOrchard (**)	20,095,000	5,001,245	-	-
	34,646,200	8,622,748	19,401,600	4,805,945

(*) This pertains to a subordinated debt from Société de Promotion et de Participation pour la Coopération Economique ("PROPARGO") approved by the NBC on 14 June 2016 as capital tier 2 and are repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term maturing on 15 September 2021.

(**) This pertains to a subordinated debt from BlueOrchard Microfinance Fund which was signed on 15 June 2018 and approved by the NBC on 25 July 2018 as capital tier 2. The loan is repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term maturing on 15 June 2023.

14. PROVISION FOR STAFF BENEFITS

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Balance at beginning of year	14,095,407	3,491,555	11,637,366	2,882,677
Additions during the year				
Employer contribution	3,591,853	893,940	2,570,863	636,825
Employee contribution	1,323,307	329,345	1,176,095	291,329
Provision on seniority pay	5,534,875	1,377,520	-	-
Interest	421,346	104,371	868,251	215,074
Payments during the year	(14,304,905)	(3,560,205)	(1,922,113)	(476,124)
Reversal	(798,142)	(198,642)	(235,055)	(58,226)
Foreign exchange difference	-	17,004	-	-
Balance at end of year	9,863,741	2,454,888	14,095,407	3,491,555

On 16 March 2018, the Company issued a resolution to pay out the balance of the staff pension fund as at 31 December 2017 and settled significant portion of pension fund to staff in April 2018.

15. INCOME TAX

The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

15.1 Income tax expense**Applicable tax rates**

In accordance with Cambodian tax law, the Company has the obligation to pay tax on profit ("ToP") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

Income tax expense comprises:

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Current income tax	8,595,430	2,139,231	9,611,026	2,380,735
Deferred tax income	(1,168,864)	(290,907)	(2,420,242)	(599,515)
	7,426,566	1,848,324	7,190,784	1,781,220

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**15. INCOME TAX** (continued)**15.1 Income tax expense** (continued)**Applicable tax rates** (continued)

Movements of income tax payable follow:

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Balance at beginning of year	7,341,834	1,818,636	5,686,194	1,408,520
Current income tax	8,595,430	2,139,231	9,611,026	2,380,735
Income tax paid	(9,571,807)	(2,382,232)	(7,955,386)	(1,970,619)
Foreign exchange difference	-	8,600	-	-
Balance at end of year	6,365,457	1,584,235	7,341,834	1,818,636

The reconciliation of income tax expense shown in profit or loss is as follows:

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Profit before income tax	34,191,548	8,509,594	28,497,528	7,059,086
Income tax expense at applicable tax rate of 20%	6,838,310	1,701,919	5,699,506	1,411,817
<i>Adjustments:</i>				
Non-deductible expenses	986,537	245,529	3,704,685	917,683
(Over)/under provision of income tax in prior year	(398,281)	(99,124)	206,835	51,235
Temporary differences	-	-	(2,420,242)	(599,515)
Effective income tax	7,426,566	1,848,324	7,190,784	1,781,220

15.2 Deferred income tax

Details of deferred income tax assets (liability) recognized during the year follow:

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Allowance for loan losses	2,323,304	578,224	2,036,798	504,533
Provision for staff pension fund	622,322	154,884	1,966,792	487,191
Unamortised loan processing fees	3,871,430	963,522	1,528,414	378,601
Accruals	852,231	212,103	667,763	165,411
Property and equipment	(531,315)	(132,234)	(230,659)	(57,136)
Deferred income tax assets, net	7,137,972	1,776,499	5,969,108	1,478,600

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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16. EQUITY

(i) Number of ordinary shares are as follows:

	2018	2017
As at 1 January	3,165,092	1,405,092
Additional share issued	1,648,000	1,760,000
As at 31 December	4,813,092	3,165,092

(ii) All ordinary shares are registered, issued and paid up with par value of KHR25,000.

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Share capital	120,327,300	29,947,063	79,127,300	19,600,520

Details of shareholding are as follows:

	31 December 2018			31 December 2017		
	KHR'000	US\$ equivalent (Note 2.3.1)	%	KHR'000	US\$ equivalent (Note 2.3.1)	%
SCSB	96,273,850	23,960,640	80.01	-	-	-
Agora Micro-finance N.V	24,053,425	5,986,417	19.99	40,139,850	9,942,990	50.73
AMK- Staff Association	25	6	0.00	2,383,350	590,376	3.01
Rural Impulse Fund II	-	-	-	19,473,175	4,823,675	24.61
PROPARCO	-	-	-	11,826,075	2,929,422	14.95
CLDF	-	-	-	5,304,850	1,314,057	6.70
	120,327,300	29,947,063	100	79,127,300	19,600,520	100.00

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions which requires MDIs to have a minimum registered capital of KHR120 billion (approximately US\$30 million). On 16 June 2016, the NBC issued Circular B7-016-001 on implementation of the said Prakas requiring banks and financial institutions to inject half of the additional required capital by 31 March 2017 and to fully comply by 22 March 2018.

Responding to the Prakas, the Company had increased the capital by KHR44 billion and KHR41.2 billion with the approval from the NBC on 13 February 2017 and 16 March 2018, respectively.

On 9 May 2018, the National Bank of Cambodia ("NBC") approved on the transaction of shares purchased by The Shanghai Commercial and Savings Bank Limited ("SCSB") of 80.01% of the total shares. Agora Microfinance N.V. and AMK-Staff Association continue to remain as other shareholders after the change to shareholding is completed. The Company's revised Memorandum and Article of Association was approved by NBC and endorsed by the Ministry of Commerce on 4 and 10 July 2018, respectively. The transaction was fully completed on 31 August 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**16. EQUITY (continued)***Reserve*

Under the loan agreement with ICO (Note 12), the Company is required to transfer a reserve amount of 3.5% of the loan outstanding with ICO from net profit at the end of each year into a capital strengthening reserve account. ICO has no entitlement to this reserve.

17. INTEREST INCOME

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Loans to customers	176,580,955	43,947,475	190,477,236	47,182,867
Balances with banks	1,536,504	382,405	1,177,611	291,705
	178,117,459	44,329,880	191,654,847	47,474,572

18. INTEREST EXPENSE

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Borrowings	38,778,596	9,651,218	32,131,700	7,959,301
Deposits from customers	31,168,093	7,757,116	26,979,297	6,683,006
Staff pension fund	421,346	104,865	868,251	215,074
	70,368,035	17,513,199	59,979,248	14,857,381

19. FEE AND COMMISSION EXPENSES

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Village fees and commission and mobile bank agents' incentives	7,778,660	1,935,953	9,727,280	2,409,532
Fees and commissions on borrowings and swaps	1,613,513	401,571	2,132,813	528,316
	9,392,173	2,337,524	11,860,093	2,937,848

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

20. OTHER INCOME

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loan fees	60,219,627	14,987,463	18,444,822	4,568,943
Mobile banking fees	3,383,510	842,088	5,301,956	1,313,341
Micro-insurance commissions	2,542,933	632,885	2,343,315	580,459
Loan penalties	2,372,122	590,374	1,225,787	303,638
Reimbursements from shareholders	1,379,335	343,289	-	-
Payroll fees	1,053,364	262,161	750,067	185,798
Remittance fees	385,440	95,928	526,489	130,416
Loan recoveries	69,436	17,281	67,710	16,772
Gain on disposal of property and equipment	60,008	14,935	126,183	31,257
Foreign exchange gain	425	106	-	-
Others	255,398	63,564	203,056	50,299
	71,721,598	17,850,074	28,989,385	7,180,923

21. OTHER OPERATING EXPENSES

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Personnel and other related costs	77,054,346	19,177,289	59,908,392	14,839,830
Rental	8,912,059	2,218,034	8,451,166	2,093,427
Professional fees	6,607,585	1,644,496	6,933,932	1,717,595
Depreciation and amortization	6,045,420	1,504,584	5,771,658	1,429,690
Transportation	5,080,305	1,264,387	4,193,322	1,038,722
Non-capitalisable furniture	2,773,711	690,321	2,841,620	703,894
Security	2,555,259	635,953	2,534,122	627,724
Utilities	1,925,046	479,106	1,881,886	466,160
Communication	1,659,185	412,938	1,563,851	387,379
NBC license fees	1,492,333	371,412	1,497,500	370,944
Stationeries and supplies	1,482,479	368,959	1,753,075	434,252
Printing	1,304,840	324,749	1,560,174	386,469
Bank charges	899,247	223,805	754,363	186,862
Marketing expense	819,736	204,016	824,286	204,183
Repair and Maintenance	1,023,511	254,731	1,211,642	300,134
Miscellaneous expenses	61,518	15,311	3,467,310	858,883
Loss on disposal of fixed assets	2,588	644	46,387	11,490
Foreign exchange losses	-	-	94,183	23,330
Penalties and fines	-	-	1,447,434	358,542
Others	2,625,594	653,457	1,040,734	257,799
	122,324,762	30,444,192	107,777,037	26,697,309

Others include Board of Directors expenses on travel and accommodation, write off on operational losses, and staff refreshment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**22. GRANT INCOME**

This represents the grant received from Water.org for a program managed by the Company as set forth in the grant agreement.

23. COMMITMENTS

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Within one year	4,920,562	1,224,630	4,412,986	1,093,135
More than 1 year to 5 years	10,214,766	2,542,251	7,793,360	1,930,483
More than 5 years	8,874,340	2,208,646	3,516,893	871,165
	24,009,668	5,975,527	15,723,239	3,894,783

In the normal course of business, the Company enters into commitments and incurs certain contingent liabilities with legal recourse. No material losses are anticipated from these transactions, which consist of:

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Foreign exchange swap contracts	70,315,000	17,500,000	24,222,000	6,000,000
Unused portion of credit line	19,431,347	4,836,074	52,702,634	13,054,901

The Company has 10 foreign exchange swap contracts (2017: 7 contracts) with certain commercial banks outstanding as at 31 December 2018. The Company enters into these contracts to manage its foreign exchange risk.

24. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties during the year were as follows:

<i>Related party</i>	<i>Transaction</i>	<i>31 December 2018</i>		<i>31 December 2017</i>	
		<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent- (Note 2.3.1)</i>
Board of Directors	Remuneration	404,407	100,649	154,044	38,158
Key management	Interest income	3,779	941	8,615	2,134
personnel	Remuneration	2,519,951	627,166	1,886,656	467,341

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended**24. RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

Balances with related parties at the reporting year were as follows:

<i>Related party</i>	<i>Transaction</i>	<i>31 December 2018</i>		<i>31 December 2017</i>	
		<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Key management personnel	Deposit	2,194,602	546,193	707,195	175,178
	Loan	68,987	17,169	79,186	19,615
Agora Micro-Finance N.V (shareholder)	Deposit	4,641,413	1,155,155	1,826,364	452,406
PROPARCO (previous shareholder)	Subordinated - debt/Loan	-	-	19,401,600	4,805,945

25. FINANCIAL RISK MANAGEMENT

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

The Company entered into certain foreign currency forward swap contracts to manage its risk exposure (Note 23).

The Company intends to comply with the NBC's regulations for financial risk management purposes. The Board of Directors has established an asset and liability management committee and risk management committee to formulate broad parameters of acceptable risk for the Company and monitor the activities against these parameters.

The Company holds the following financial assets and liabilities:

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>	<i>KHR'000</i>	<i>US\$ equivalent (Note 2.3.1)</i>
Financial assets				
Cash on hand	79,801,749	19,861,062	69,444,503	17,202,007
Balances with the NBC	220,429,000	54,860,379	127,738,829	31,642,019
Balances with banks	13,321,505	3,315,457	41,603,644	10,305,584
Loans to customers	975,318,202	242,737,233	810,721,760	200,822,829
Other assets	9,334,963	2,323,286	8,670,597	2,147,782
Total financial assets	1,298,205,419	323,097,417	1,058,179,333	262,120,221
Financial liabilities				
Deposits from customers	638,164,858	158,826,495	476,894,860	118,131,003
Borrowings	475,759,359	118,407,008	425,530,473	105,407,598
Subordinated debts	34,646,200	8,622,748	19,401,600	4,805,945
Other liabilities	46,278,733	11,517,852	30,487,891	7,552,115
Total financial liabilities	1,194,849,150	297,374,103	952,314,824	235,896,661

25. FINANCIAL RISK MANAGEMENT (continued)

Capital management

The primary objectives of the Company's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong financial position and healthy capital ratios to support its business and to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return the capital, or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

Net worth and risk-weighted assets are computed based on NBC regulations. Management believes the Company is compliant with the solvency ratio prescribed by the NBC at 15% and all externally imposed capital requirements.

25.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the credit committee.

(a) Credit risk measurement

The Company assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. The credit committee is responsible for determining the appropriateness and sufficiency of its credit policies.

(b) Risk limit control and mitigation policy

The Company operates and provides loans to individuals within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Company's net worth under the conditions of NBC Prakas No. B7-07-163.

The Company also 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 also accepts personal guarantee for the village bank loans. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

(c) Impairment and provisioning policy

The Company is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as disclosed in Note 2.3.7.1.

25. FINANCIAL RISK MANAGEMENT (continued)**25.1 Credit risk** (continued)

(d) Loans to customers

Loans to customers are summarized as follows:

	31 December 2018		31 December 2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loans to customers neither past due nor impaired (i)	977,847,993	243,366,847	796,449,718	197,287,520
Loans to customers past due but not impaired (ii)	21,607,909	5,377,777	22,791,530	5,645,660
Loans to customers individually impaired (iii)	16,991,407	4,228,822	17,549,252	4,347,103
Loans to customers, gross	1,016,447,309	252,973,446	836,790,500	207,280,283

For purposes of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration based on NBC's requirement.

(i) Loans to customers neither past due nor impaired

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

(ii) Loans to customers past due but not impaired

Loans to customers less than 15 days past due (short-term loans) and less than 30 days past due (long-term loans) are not considered impaired, unless other information is available to indicate the contrary, based on loan classifications prescribed in NBC Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning.

(iii) Loans to customers individually impaired

In accordance with NBC Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning, loans and advances that are classified as substandard, doubtful and loss are considered non-performing and impaired. As such, a specific minimum level of provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

25.2 Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its business.

25. FINANCIAL RISK MANAGEMENT (continued)**25.3 Market risk**

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(i) Foreign exchange risk

The Company operates in the Kingdom of Cambodia and transacts in US\$, KHR and THB.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency.

The balances in monetary assets and liabilities denominated in their respective currencies are as follows:

	<i>31 December 2018</i>			<i>31 December 2017</i>		
	<i>KHR</i>	<i>US\$</i>	<i>THB</i>	<i>KHR</i>	<i>US\$</i>	<i>THB</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>
On-balance sheet items						
Financial assets						
Cash on hand	34,969,773	41,322,510	3,509,466	33,701,566	33,893,992	1,848,945
Balances with the NBC	5,045,631	215,383,369	-	17,595,906	110,142,923	-
Balances with banks	2,565,225	5,376,724	5,379,556	10,164,932	27,005,500	4,433,212
Loans to customers	650,937,216	274,805,308	49,575,678	575,973,106	196,897,958	37,850,696
Other assets	6,121,496	2,759,552	453,915	5,990,447	2,277,375	402,775
Total financial assets	699,639,341	539,647,463	58,918,615	643,425,957	370,217,748	44,535,628
Financial liabilities						
Deposits from customers	313,084,395	307,552,382	17,528,081	297,092,477	165,805,761	13,996,622
Borrowings	142,956,556	304,424,609	28,378,194	159,061,667	238,794,606	27,674,200
Subordinated debts	14,551,200	20,095,000	-	19,401,600	-	-
Other liabilities	16,379,307	27,157,138	2,742,288	15,625,063	13,818,270	1,044,558
Total financial liabilities	486,971,458	659,229,129	48,648,563	491,180,807	418,418,637	42,715,380

NOTES TO THE FINANCIAL STATEMENTS (continued)
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25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Market risk (continued)

(i) Foreign exchange risk (continued)

	31 December 2018			31 December 2017		
	KHR KHR'000	US\$ KHR'000	THB KHR'000	KHR KHR'000	US\$ KHR'000	THB KHR'000
Off-balance sheet items						
Foreign exchange swap contracts	(70,332,500)	70,332,500	-	(16,148,000)	24,222,000	(8,074,000)
	(70,332,500)	70,332,500	-	(16,148,000)	24,222,000	(8,074,000)
Net open position	142,335,383	(49,249,166)	10,270,052	136,097,150	(23,978,889)	(6,253,752)
US\$ equivalent (Note 2.3.1)	35,424,436	(12,257,134)	2,556,011	33,712,447	(5,939,779)	(1,549,109)

The Company enters into these contracts to manage its foreign exchange risk. As exposure is deemed to be minimal, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Price risk

The Company is not exposed to securities price risk because it does not hold any investment classified in the balance sheet either as available for sale or at fair value through profit or loss.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Company, at this stage, does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, management regularly monitors the mismatch.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Market risk (continued)

(iii) Interest rate risk (continued)

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Company has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and with banks earn fixed interest for the period of the deposit and placement, and loans to customers earn fixed interest based on outstanding balance over the agreed term.

	<i>Up to 1 month KHR'000</i>	<i>>1 to 3 months KHR'000</i>	<i>>3 to 12 months KHR'000</i>	<i>>1 to 5 years KHR'000</i>	<i>Over 5 years KHR'000</i>	<i>Non-interest sensitive KHR'000</i>	<i>Total KHR'000</i>	<i>Weighted average interest %</i>
As at 31 December 2018								
Financial assets								
Cash on hand	-	-	-	-	-	79,801,749	79,801,749	-
Balances with the NBC	14,219,224	1,623,515	71,090,082	-	-	133,496,179	220,429,000	0.83
Balances with banks	4,072,882	9,248,623	-	-	-	-	13,321,505	0.14
Loans to customers	48,784,511	188,687,999	534,875,956	200,952,032	2,017,704	-	975,318,202	18.04
Other assets	9,334,963	-	-	-	-	-	9,334,963	-
	76,411,580	199,560,137	605,966,038	200,952,032	2,017,704	213,297,928	1,298,205,419	
Financial liabilities								
Deposits from customers	287,177,459	71,000,471	238,147,130	41,839,798	-	-	638,164,858	6.10
Borrowings	21,770,714	26,059,904	176,670,913	251,257,828	-	-	475,759,359	7.38
Subordinated debts	-	-	8,869,400	25,776,800	-	-	34,646,200	17.68
Other liabilities	-	14,816,599	30,612,520	849,614	-	-	46,278,733	-
	308,948,173	111,876,974	454,299,963	319,724,040	-	-	1,194,849,150	
Maturity gap	(232,536,593)	87,683,163	151,666,075	(118,772,008)	2,017,704	213,297,928	103,356,269	
US\$ equivalent (Note 2.3.1)	(57,873,717)	21,822,589	37,746,659	(29,559,982)	502,166	53,085,597	25,723,312	

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Market risk (continued)

(iii) Interest rate risk (continued)

	<i>Up to 1 month</i>	<i>>1 to 3 months</i>	<i>>3 to 12 months</i>	<i>>1 to 5 years</i>	<i>Over 5 years</i>	<i>Non-interest sensitive</i>	<i>Total</i>	<i>Weighted average interest %</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	
As at 31 December 2017								
Financial assets								
Cash on hand	-	-	-	-	-	69,444,503	69,444,503	-
Balances with the NBC	-	200,000	96,322,820	-	-	31,216,009	127,738,829	1.06
Balances with banks	16,595	33,773,880	-	-	-	7,813,169	41,603,644	0.14
Loans to customers	52,055,677	98,723,443	477,411,587	180,426,203	2,104,850	-	810,721,760	21.00
Other assets	8,670,597	-	-	-	-	-	8,670,597	-
	60,742,869	132,697,323	573,734,407	180,426,203	2,104,850	108,473,681	1,058,179,333	
Financial liabilities								
Deposits from customers	237,613,359	55,568,302	140,901,026	42,812,173	-	-	476,894,860	6.05
Borrowings	5,316,738	9,447,440	171,045,743	230,677,504	9,043,048	-	425,530,473	7.38
Subordinated debt	-	-	4,850,400	14,551,200	-	-	19,401,600	17.69
Other liabilities	-	3,986,414	20,954,990	5,546,487	-	-	30,487,891	-
	242,930,097	69,002,156	337,752,159	293,587,364	9,043,048	-	952,314,824	
Maturity gap	(182,187,228)	63,695,167	235,982,248	(113,161,161)	(6,938,198)	108,473,681	105,864,509	
US\$ equivalent (Note 2.3.1)	(45,129,360)	15,777,847	58,454,855	(28,031,003)	(1,718,652)	26,869,874	26,223,560	

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

25. FINANCIAL RISK MANAGEMENT (continued)

25.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month, respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The following tables present an analysis of the assets and liabilities of the Company by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

	<i>Up to 1 month</i>	<i>>1 to 3 months</i>	<i>>3 to 12 months</i>	<i>>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>
As at 31 December 2018						
Financial assets						
Cash on hand	79,801,749	-	-	-	-	79,801,749
Balances with the NBC	91,557,979	1,623,515	71,090,082	-	56,157,424	220,429,000
Balances with banks	4,276,773	9,044,732	-	-	-	13,321,505
Loans to customers	48,784,511	188,687,999	534,875,956	200,952,032	2,017,704	975,318,202
Other assets	9,334,963	-	-	-	-	9,334,963
Total financial assets	233,755,975	199,356,246	605,966,038	200,952,032	58,175,128	1,298,205,419
Financial liabilities						
Deposits from customers	287,177,459	71,000,471	238,147,130	41,839,798	-	638,164,858
Borrowings	21,770,714	26,059,904	176,670,913	251,257,828	-	475,759,359
Subordinated debts	-	-	8,869,400	25,776,800	-	34,646,200
Other liabilities	-	14,816,599	30,612,520	849,614	-	46,278,733
Total financial liabilities	308,948,173	111,876,974	454,299,963	319,724,040	-	1,194,849,150
Net liquidity surplus (gap) – KHR'000	(75,192,198)	87,479,272	151,666,075	(118,772,008)	58,175,128	103,356,269
US\$ equivalent (Note 2.3.1)	(18,713,837)	21,771,845	37,746,659	(29,559,982)	14,478,628	25,723,312

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

25. FINANCIAL RISK MANAGEMENT (continued)

25.4. Liquidity risk (continued)

	<i>Up to 1 month</i>	<i>>1 to 3 months</i>	<i>>3 to 12 months</i>	<i>>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>	<i>KHR'000</i>
As at 31 December 2017						
Financial assets						
Cash on hand	69,444,503	-	-	-	-	69,444,503
Balances with the NBC	31,216,009	200,000	96,322,820	-	-	127,738,829
Balances with banks	7,829,764	33,773,880	-	-	-	41,603,644
Loans to customers	52,055,677	98,723,443	477,411,587	180,426,203	2,104,850	810,721,760
Other assets	8,670,597	-	-	-	-	8,670,597
Total financial assets	169,216,550	132,697,323	573,734,407	180,426,203	2,104,850	1,058,179,333
Financial liabilities						
Deposits from customers	232,275,932	55,568,302	140,901,026	48,149,600	-	476,894,860
Borrowings	5,333,333	9,447,440	171,045,743	230,660,909	9,043,048	425,530,473
Subordinated debt	-	-	4,850,400	14,551,200	-	19,401,600
Other liabilities	-	3,986,414	20,954,990	5,546,487	-	30,487,891
Total financial liabilities	237,609,265	69,002,156	337,752,159	298,908,196	9,043,048	952,314,824
Net liquidity surplus (gap) - KHR'000	(68,392,715)	63,695,167	235,982,248	(118,481,993)	(6,938,198)	105,864,509
US\$ equivalent (Note 2.3.1)	(16,941,470)	15,777,847	58,454,855	(29,349,020)	(1,718,652)	26,223,560

AMK Microfinance Institution Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

25. FINANCIAL RISK MANAGEMENT (continued)

25.5 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. Management believes that the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values. In making this assessment, management assumes that loans to customers are mainly held to maturity with fair values equal to the book value of loans to customers adjusted for provision for loan losses, if any.

26. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no other events, which occurred subsequent to 31 December 2018 that had significant impact on the financial position of the Company as at 31 December 2018 and the financial performance for the year then ended.

27. TAX CONTINGENCY

The taxation system in Cambodia has undergone numerous changes and is characterized by often unclear, contradictory and/or differing interpretations existing 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 since the incorporation of the Company could be significant.