

Annual Report
2016



Dreams Come True

Operation Highlight

Description

31 December, 2016

Distribution Networks	4
Total Staff	90
Total Credit Officers	20
Operating Provinces	7
Operating Districts	25
Operating Villages	160
Total Active Borrowers	332
Total Loan Outstanding (in USD)	6,347,241
Portfolio at Risk(PAR%)	0.00%
Total Loan Outstanding Per Credit Officer (in USD)	317,362
Total Loan Outstanding Per Staff (in USD)	70,524
Average Loan Size (in USD)	20,541
Total Asset (in USD)	7,558,823

Financial Highlight

Balance Sheet

31 December, 2016

(Audited)
(in USD)

Assets

Cash and Cash Bank	576,579
Loan Receivable (Net)	6,347,241
Property and Equipment (Net)	478,656
Other Assests	156,347
Total Assests	7,558,823

Liabilities

Other Liabilities and Provision	448,859
Long and Short Term Borrowings	708,321
Total Liabilities	1,157,180

Equity

Shareholder Equity	6,401,643
Total Liability and Equity	7,558,823

Income and Expense

31 December, 2016

(Audited)
(in USD)

Interest and Fee Income	367,430
Operating Expense	884,312
Profit After Tax	(516,882)

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Partners

01

Overview of the Banking and Financial Sector in Cambodia



The general aspect of the world economic growth in 2016 was being affected by the influence factors of the developed countries, such as the departure of England from the European Union (Brexit), the unexpected slow growth economy of US, and the gradually decrease of the economic growth of China .etc. However, the ASEAN-5 Countries still maintained their strong growth economy depending mainly on the implementation policy focused on domestic demand, and tried to prevent and to reduce the impact from outsides. Nevertheless, Cambodia has also successfully accomplished the high growth rate 7%, and will keep its going up a path of long-term growth.

The recent development of Banking and Financial sector in Cambodia in 2016 has highlighted the growing trend and firm support by general atmospheric conditions of the favorable stability and security, the growing demand of economic development in most sectors which are interrelated as complement to each other. These factors have been driven and paved the way

with transparency from the National Bank of Cambodia (NBC) in accordance with the developing targets of the government.

The Intervention in high alert of the National Bank of Cambodia in rigorous monitoring and evaluation of financial performance on a consistent basis, especially the development of Commercial Banks, Specialized Banks, Microfinance institutions, and financial related institutions, as well as having launched the banking regulations, and the timely dissemination or promotion of new financial policies, helped boost banking and financial sector more stability going forward. This factor has significantly contributed in drawing confidence from Cambodian citizens to continue to strongly support the products and services of Banking and financial Institutions.

Remarkably, having increased demand of using service of Cambodian people as well as the subsequent influx of foreign investment companies in some major key sectors, has attracted further investment in banking and financial sector. Recently, the private institutions participating in financial service operation in Cambodia included 36 Commercial Banks, 14 Specialized Banks, 8 representative offices of Specialized Bank, 57 Microfinance Institutions, 7 Deposit taking Microfinance Institutions, 160 Rural Credit Operators, 11 Financial Leasing Companies, 1 Credit Bureau of Cambodia, 7 Functioning third parties, and 2,094 Money Exchange Stores. As expected, the banking and financial sector in Cambodia will continue to progress further based on the necessity of financial requirements to support all kinds business such as textile and Apparel sector, Tourism , Construction, and Trading ...etc. Meanwhile, the integration in ASEAN, ASEAN +3 and international countries will also help enhance banking and financial sector in Cambodia throughout their diverse sources of capital support with stabilized international market, as well as the new technology facilitated the efficient utilization under strict control of the National Bank of Cambodia, the institutional guardian.

(Sources: The National Bank of Cambodia "The Progress macroeconomic and banking sector in 2016 and Prospects 2017".)



02

General Information of FUTABA Microfinance Plc.



Vision Mission and Core Value

Vision

To be a leading financial institution in Cambodia achieving great impact on improving living standard for current and new generations.

Mission

To offer the most reliable Financing Services to Medium, Small and Micro - Enterprises and Individuals by creating sustainable market to support current and succeeding generation and social performance to achieve their goal with better life in the future.


Core Value



Branding of FUTABA Microfinance Plc.



Symbol and Meaning

The Symbol  is referred to the small **BUD** which just came out from the ground. This small **BUD** can grow up to the **GIANT TREE** in near future, based on our honest and hard works together with a kind back-up from the fair Supporters.

Namely, we, **FUTABA Microfinance Plc.** as a small Financing Institution, have just started our activity in the Financing Sector in the Kingdom of Cambodia.

And we can grow up in near future to be a leading BANK in the Kingdom of Cambodia, to provide the Financing Services of a very high quality to the users in order to assure the steady and bright futures to all the users of **FUTABA Microfinance Plc./ FUTABA Bank**, as if the small **BUD** can grow up to the **GIANT TREE** in due course.

How fast we can grow up to the **GIANT TREE** totally depends on how hard each of the Members of **FUTABA Microfinance Plc.** will work with full sincerity, also depends on how big support could be provided to us from our beloved Customers.

Color	Slogan
<p>Green Color in the BUD, refers to the respect we pay to the Environment, the Harmony among the Economic Growth and the Safe Environment for the Current and the Next Generation.</p>	<p>DREAMS COME TRUE</p>

History of FUTABA Microfinance Plc.



1 Head Office
License Number : M.F -64, Dated : December 16, 2015

FUTABA Microfinance Plc. has been established in the purposes and dreams of a shareholder. Throughout the initiatives, as well as a strong commitment, the shareholder has overcome all obstacles, and finally received the official business operating license from The National Bank of Cambodia, No M.F-64,

issued on December 16, 2015.

At the beginning of 2016, **FUTABA** started its business operation with the only initial capital of **USD 1,000,000**. However, with the strong support from customers, it was showing that Futaba got a great successful achievement.

Meanwhile, since 2016, AZUMA & Co.,Ltd. has become a shareholder of FUTABA Microfinance Plc. **AZUMA & Co.,Ltd.**, a Japanese Company, has parallel concept in supporting and improving standard living of Cambodian people, especially to contribute to developing new generations by providing highly effective financial service with quality, consistency, and transparency of the market.

With the long-term perspective and the expectation the positive progress of the financial market in Cambodia, **FUTABA Microfinance Plc.** will continue to implement its strategic plan in order to achieve the need and dream of the shareholder. Having seen its growing, **FUTABA Microfinance Plc.** launched 3 new branches more by the end of 2016 in order to strengthen and enhance its potential strength on a widely market, and to serve the growth of loan demand from the local areas customers. The 3 branches were approved the official business operation license from the National Bank of Cambodia as below:



2 Khan Tuol Kouk Branch
License Number : M.F 64-12/04/08/01, Dated : September 20, 2016

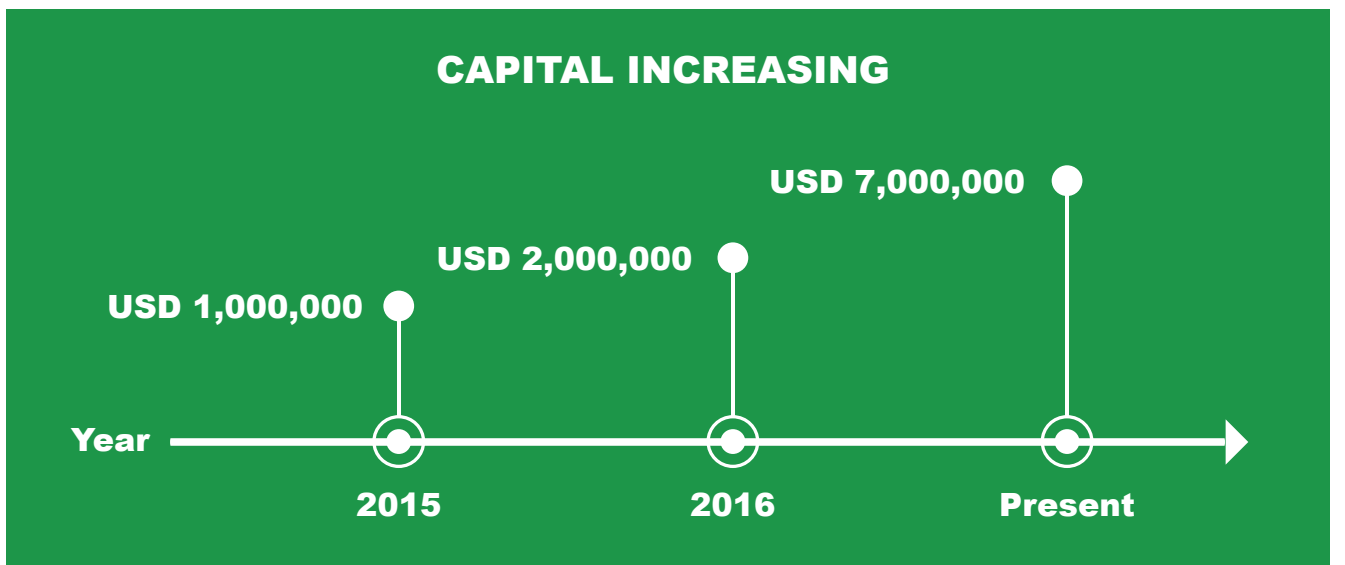
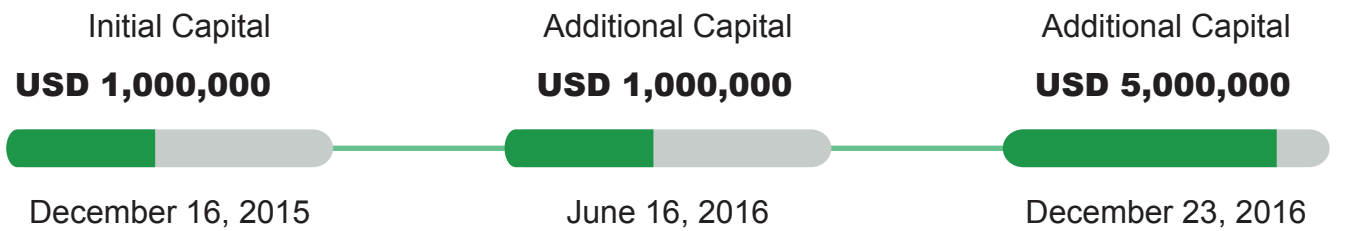


3 Khan Pur Senchey Branch
 License Number : M.F 64-12/09/04/01
 Dated : September 20, 2016



4 Krong Chbar Mon Branch
 License Number : M.F 64-05/02/01/01
 Dated : September 20, 2016

In the meantime, **FUTABA Microfinance Plc.** was successful in subsequent capital injection as the following:



Message from Chairman



◆ Mr. CHREUK Phally, Chairman

The Kingdom of Cambodia have achieved the Economic Growth of almost Seven percent in year 2016, and are expected to be more and more prosperous in the following years.

Such Economic Growth is now calling for the strong basement in the Financing Sector in the Kingdom of Cambodia, which made us stepping in to this field of business as Financing Institute in early year 2016.

As the consequence, we, **FUTABA Microfinance Plc.** could manage several major achievements as set forth by now, which is all thanks to the strong support from our respectful Customers.

As the Chairman, I am pleased hereby to report our achievement in our First Year as follows, which are fully complying to the Law and Regulation in the Kingdom of Cambodia.

- * **Total Assets : USD 7,558,823**
- * **Total Loan Outstanding : USD 6,347,241**
- * **PAR (Portfolio at Risk) : ZERO**
- * **Solvency Ratio : 87.35 %**
- * **Total Active Borrowers : 332**
- * **Four Branch Offices started its activity in due course.**

We, **FUTABA Microfinance Plc.** will keep on providing best Products and Services in a long run to our Respectful Customers, so that both Customers and us as a Financing Institute can achieve the DREAM together.

Our Share-holder in Japan, who is so much eager to contribute to the growth of the Next Generation in the Kingdom of Cambodia, is committing themselves for the bigger injection to us **FUTABA Microfinance Plc.** in the coming years.

All the Members of **FUTABA MicroFinance Plc.**, are kindly requested to fulfill his / her mission in full swing, with highest transparency and responsibility in order to bring the maximum benefit to the esteemed Customers and to the Society in the Kingdom of Cambodia.

Lastly, I hereby express our heartfelt gratitude once again towards our respectful Customers as well as to all the Level of Authorities inclusive of the National Bank of Cambodia, who kindly supported us to manage the sound and transparent activities till now, and in future too.

My all the prosperity and happiness enjoyed by our dear Customers, we remain,

Yours sincere,

Mr. CHREUK Phally
Chairman

Message from the President, CEO



◆ Mr. Junichi SASAKI, President, CEO

Dear valuable Customers and Parties concerned.
We, **FUTABA Microfinance Plc.**, based on the official License from National Bank of Cambodia, have started our activities on December 16, 2015, as Micro-Financing Company in the Kingdom of Cambodia, and are expanding our activity day by day.

Our duty we believe is to be the **PATHWAY** to the Next Generation in the Kingdom of Cambodia, which should be materialized based on our Fair and Transparent Transaction in the field of our Financing Services.

We, **FUTABA Microfinance Plc.** are funded by the single Share-holder in Japan, where we can manage a very swift and flexible decision making for our esteemed Customers.

Our intention is to become one of the premier leading Financing Institutions in the Kingdom of Cambodia, in order to contribute to the sustainable development of the Society and Economic Growth for both current and the Next Generation by our creating the stable and transparent Financing markets in the Kingdom of Cambodia, which is our sincere wish as well as our goal.

Our Dream is to be of some help to the Customers as well as to the Society to establish the steady financial basement for their bright future.

In addition, we hereby reconfirm our maintaining best services and accountability in a long run, with our dedication to the superior services, which differentiates us from other Microfinance Institutes.

Throughout our financing activities, we are proving our philosophy of perfect partnership with our esteemed Customers by our offering the best quality of Financing Proposal with utmost sincerity and professional services which is suitable to each of our esteemed Customers who from time to time are in various situation and different position.

Our esteemed Customers can secure a firm basement for their expanding their Business, through our best services arranged by our committed and knowledgeable Staff who are experts for providing the most suitable financing options to each of the Customers to reach their individual needs.

We, **FUTABA Microfinance Plc.** do provide various kind of Financing Services, such as Business Loans, Housing Loans, Agricultural Loans, Consumption Loans etc., with a very **LOW INTEREST RATE**, together with the best Customer Services.

Going forward, we, **FUTABA Microfinance Plc.** are offering full range of Traditional and innovative Microfinance solutions to new and all the existing Customers, through our Hi-tech services such as On-line Loan just by using your smart-phone.

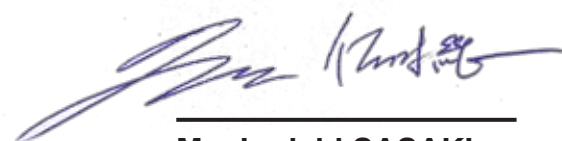
Am looking forward to serving you for materializing all your dreams, where we

work together in order to reach our mutual goals, since your dream is our dream, your future is our future.

Lastly, please my esteemed Customers, feel free to contact us whenever needed.

May **DREAM COME TRUE** to all our beloved Customers, we remain.

Yours faithfully,



Mr. Junichi SASAKI
President, CEO

03

Business Information



Shareholder and Capital



◆ Mr. Yosuke SASAKI, representing the Shareholder

AZUMA & Co., Ltd. as 100% Share-holder of **FUTABA Microfinance Plc.**, hereby express our keen eagerness to contribute to the Eradication of the Poverty in our beloved Country, the Kingdom of Cambodia.

AZUMA & Co., Ltd. as pure Japanese Enterprise are 100% owned by myself, Yosuke SASAKI, a Japanese citizen, who act as the President of **AZUMA & Co., Ltd.**

It is a great honor for us **AZUMA & Co., Ltd.**, in case we could be a little bit of help in supporting and bringing up the Next Generation, also in improving the Standard of Livings in our beloved Country, the Kingdom of Cambodia, based on our very Transparent, Effective and Long-lasting Financing Services through our **FUTABA Microfinance Plc.**

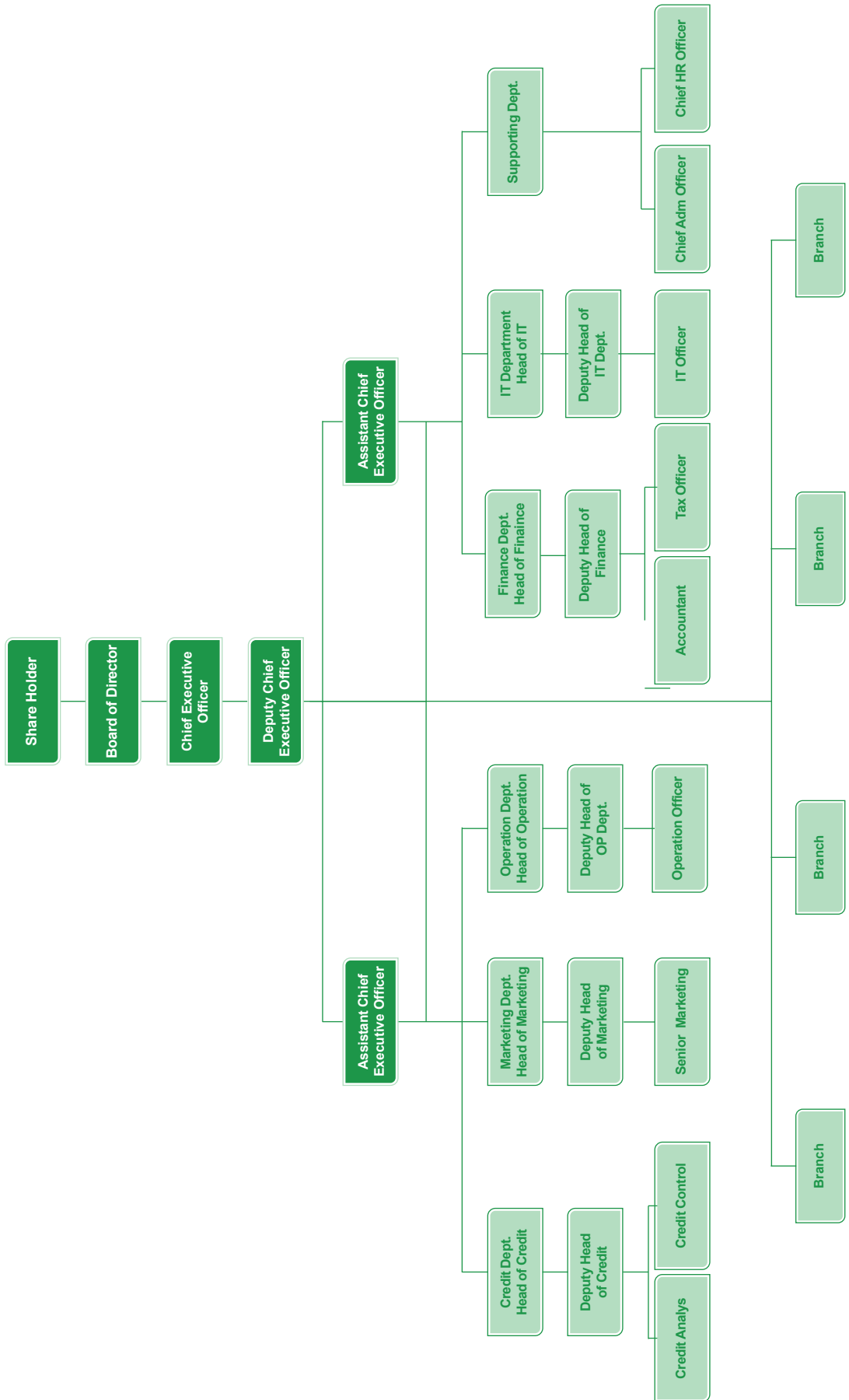


AZUMA & CO., LTD.

100% of Share



Organization Chart





Board of Directors



Mr. CHREUK Phally **Chairman of Board of Director**

Mr. Chreuk Phally is a Cambodian, born 1981 in Phnom Penh. He has more than 14 Years of experience in the field of Management, 5 years of which he served as Marketing Manager at Futaba Co.,Ltd. In 2007, he was promoted as the General Manager, and serves in this capacity to-date. He obtained his Bachelor's Degree of Business Administration from Norton University. He has been appointed as Chairman of **FUTABA Microfinance Plc.** since July 2015.



Mr. Yosuke SASAKI **Deputy of Board of Director**

Mr. **Yosuke SASAKI** is the 100% shareholder that owned **AZUMA & Co.,Ltd** of Japan, represented by **Yosuke** as President.



Ph.D. CHAP Ratana **Member of Board of Director**

Ph.D. Ratana started his career with **FUTABA Microfinance Plc.** as a Local Financial Adviser in January 2015, and he has been holding position as Deputy Chief Executive Officer since October 2015. He earned Master Degree in Business Administration and Ph.D. Degree in Educational Administration at Build Bright University (BBU-Phnom Penh). He has over 25-year working experiences as an Interpreter, Administrator, Project Manager and a Local Adviser with all corporated levels of Line-Ministries, Provincial Levels, Development Partners, UN, IO, NGO, Private Sectors in the fields of National Strategic Development Plan, Financial, Statistics, Education, M&E, Health based UNTAC, WHO-Ministry of Health, and UN-Ministry of Planning.



Mr. OUK Chay **Independent Board of Director**

Mr. OUK Chay started his career with **FUTABA Microfinance Plc.** as a Local Law Adviser in February 2015, and he has been appointed as Independent Board of Director since July 2015. He earned Bachelor Degree in Royal University of Law and Economics. He has over 48-year working experiences as Law Adviser, District Governor, Acting Provincial Governor, Under Secretary of State and Secretary of State in Ministry of Planning.

Executive Committee



Mr. Junichi SASAKI, President, CEO

Mr. Junichi SASAKI graduated from Tokyo University on 1975, is currently active as President and 100% shareholder of FutureBud International Co., Ltd, Japan.



Ph.D. CHAP Ratana, Deputy CEO

Ph.D. Ratana started his career with **FUTABA Microfinance Plc.** as a Local Financial Adviser in January 2015, and he has been holding position as Deputy CEO since October 2015. He earned Master Degree in Business Administration and Ph.D. Degree in Educational Administration at Build Bright University (BBU). He has over 25-year working experiences as an Interpreter, Administrator, Project Manager and a Local Adviser with all corporated levels of Line-Ministries, Provincial Levels, Development Partners, UN, IO, NGO, Private Sectors in the fields of National Strategic Development Plan, Financial, Statistics, Education, M&E, Health based UNTAC, WHO-Ministry of Health, and UN-Ministry of Planning.



Mr. PREAP Kandoeng, Assistant CEO

Mr. Kandoeng earned Master Degree of Business specializing in Finance from Charles Sturt University, Australia and holds Bachelor's Degree in Business Administration, specializing in Accounting at National University of Management (NUM). He has years of working experiences at all corporate level, educational background and continuous professional development. Before joining, **FUTABA Microfinance Plc.**'s team, Kandoeng had many years of experience in the field of Accounting Management, Accounting Technical Advisor, Banking and Finance Management and Head of Finance Department position of other MFI. He joins **FUTABA Microfinance Plc.** as Head of Finance Department in 2015. Mr. Kandoeng was promoted as Assistant Chief Executive Officer and he is in-charge mainly to difference types of departments including Finance Department, IT Department, and HR & Admin Department by starting from July 1st, 2016.



Mr. UM Piseth, Assistant CEO

Mr. Piseth started his career with **FUTABA Microfinance Plc.** as a Head of Credit Department late 2015, then was promoted to be an Assistant CEO in July 2016, where he is in-charge the three departments of Credit Department, Marketing Department and Operation Department. He obtained his Bachelor Degree majoring in General Management from the Royal University of Law and Economics (RULE) and holds a Diploma of Intensive English Academic of Purpose from Paññasatra University of Cambodia (PUC). He has been attended the numerous Training Courses, Workshops and conferences that related to Property Development Sector, Banking & Microfinance Sectors as well. He has been spent over 11 years of practical experience in Various Positions in Microfinances as Branch Officer, Branch Manager, Regional Manager, Operation Manager, Head of Marketing & Communication Department, Credit Manager and Head of Credit Department. He used to work with Telecom Companies where spent over three years.



Mr. HUOT Sokchea, Head of Operation Dept.

Mr. Sokchea has started his career with **FUTABA** as a Head of Operation in November 2015 where he manage all tasks and activities in setting up all policies and procedures related to teller function and branch operation. He holds a BBA in Marketing and also attended various training courses, workshops, seminars, and conferences related to microfinance institution management and development. He spent almost 13 years' experience in operation, sale, marketing, research and production development in varies industries, while he has spent his last 8 years in Microfinance industry with other institutions before joining **FUTABA Microfinance Plc.**



Mr. LIM Sombo, Head of Marketing Dept.

Mr. LIM Sombo born in June, 1981. He joins with **FUTABA Microfinance Plc.** in November, 2015 as Head of Marketing Department. Prior starting a career with **FUTABA Microfinance Plc.**, he has worked with two major banks including a regional foreign bank and a local bank where the largest branches network. With over 14 years 'work experiences in banking sectors, Mr. Sombo used to handle various positions such as Account Relationship Manager, AVP & Manager of Leasing Unit, AVP & Assistant Manager of Credit and Marketing Unit and other positions which he has been spent over 10 years as mainly involved in front line sale. In 2008, he graduated Bachelor Degree from Build Bright University with major of Finance and Banking.



Mr. KUNG Sarath, Head of IT Dept.

Mr. Kung Sarath was born in 1985; he earned Master Degree of Business Administration (MBA) at National University of Management in 2011, Bachelor Degree of Information Technology (IT) at Build Bright University in 2008, and Bachelor Degree of English (College of Arts, Humanities, and Languages) at Norton University in early 2016. Sarath, who was a former IT Manager held IT department in one of the commercial banks in Cambodia, with 8 year-working experience within banking sector, has joined with **FUTABA Microfinance Plc.** since January, 2016. He currently holds IT department of **FUTABA Microfinance Plc.**



Mr. TUM Vanheng, Head of Credit Dept.

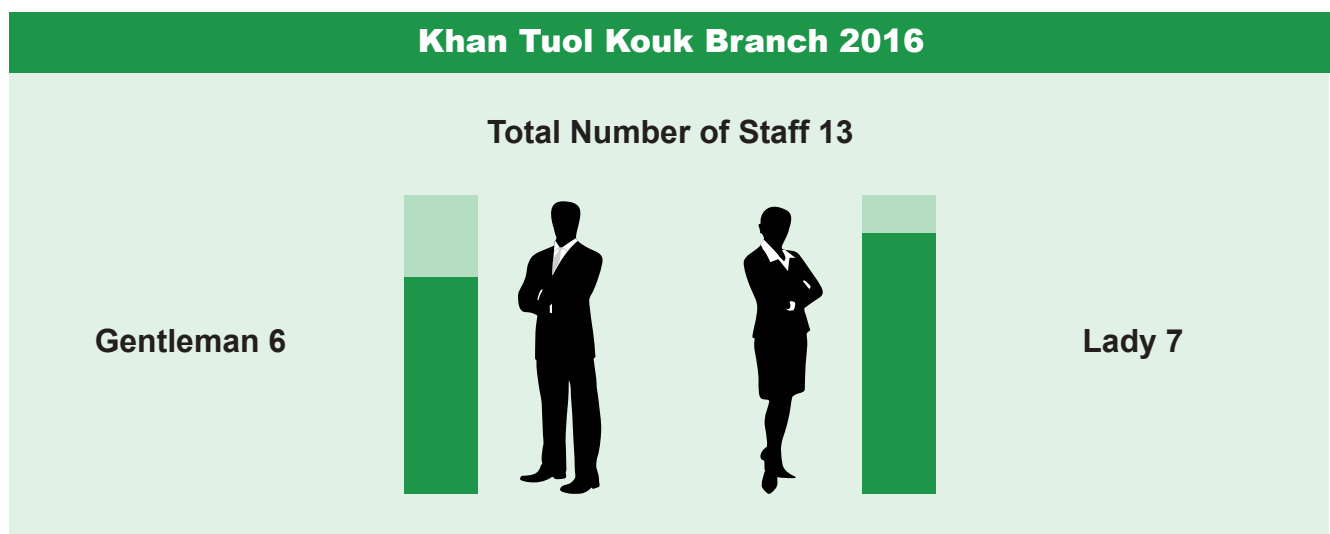
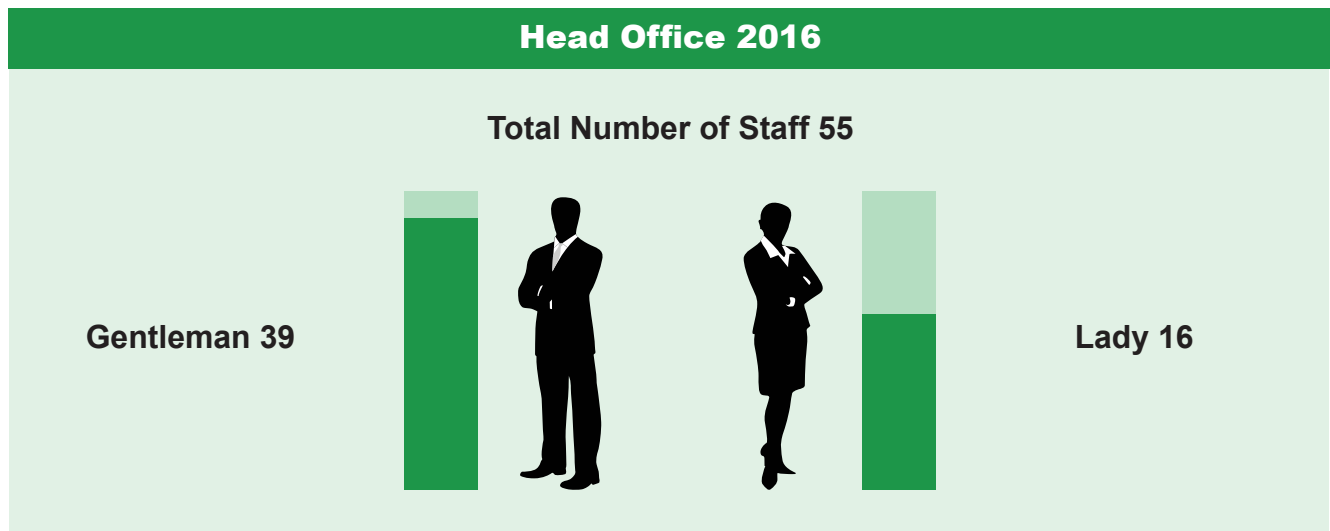
Mr. Vanheng was born in 1988, he obtained Bachelor Degree in Banking and Finance from Human Resource University in 2011. He has started his career with **FUTABA Microfinance Plc.** as a Deputy Head of Operation Department in November 2015, then transfered as a Deputy Head of Credit in March 2016. In July 2016, he was promoted as Head of Credit Department. Before joining with **FUTABA Microfinance Plc.** he has spent over 7 years' experience in Banking and Microfinance sector. Vanheng has attended numerous training courses and workshops related Credit Risk Management, Credit Analysis, leadership and Management.

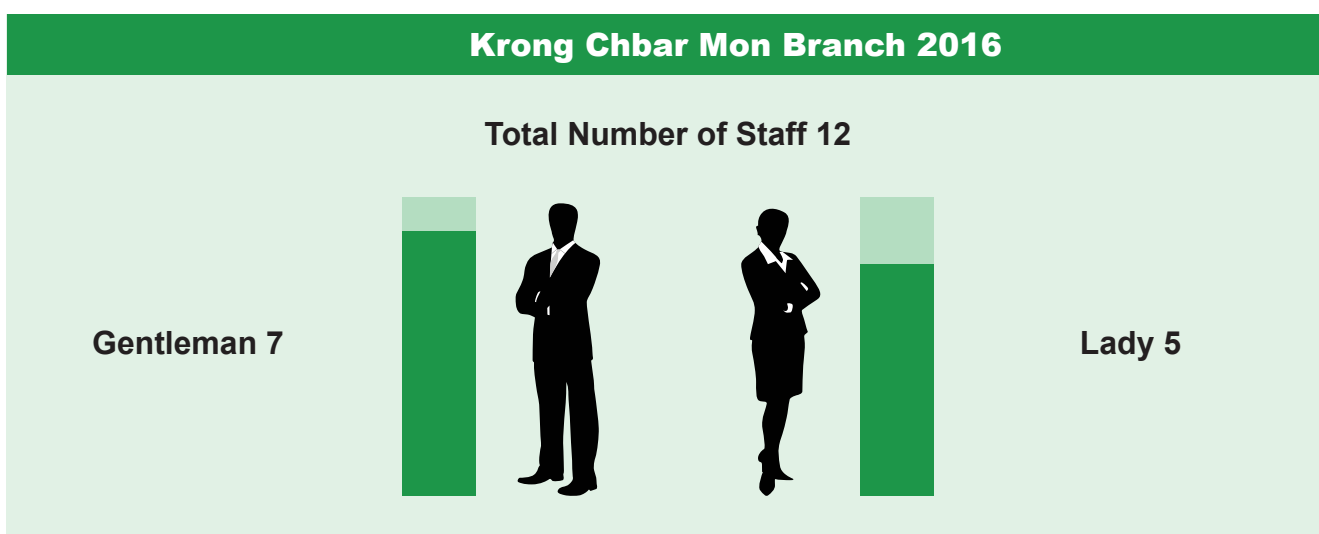
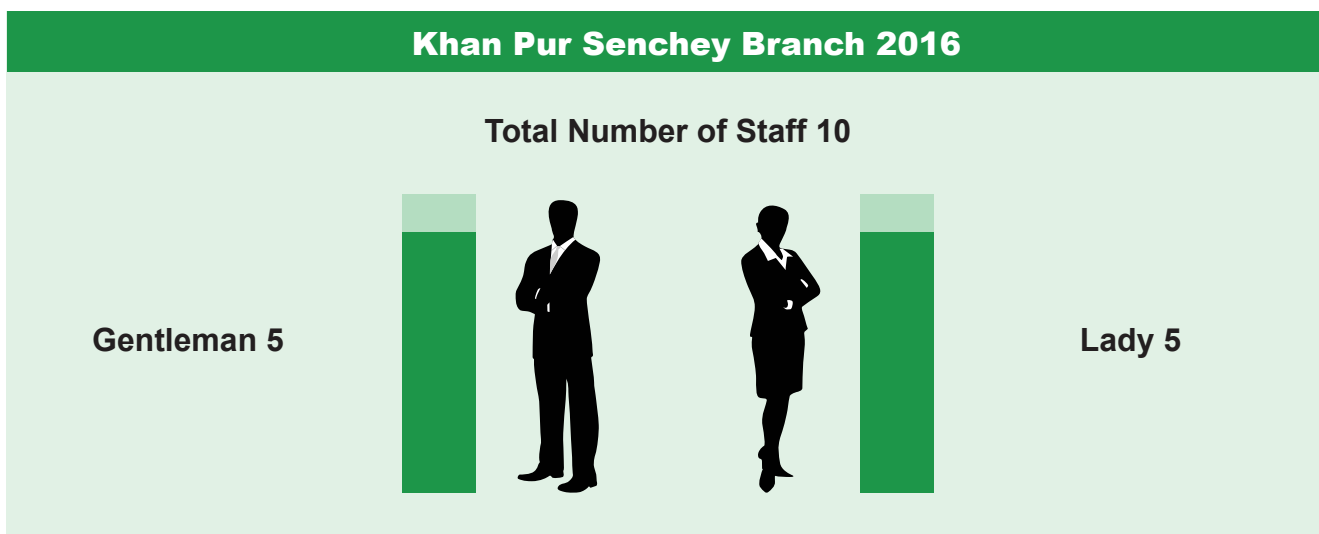


Human Resource

1. Number of Staff

To respond the financial service demand keep growth day by day as well as a long-term vision of **FUTABA Microfinance Plc.** to arrange adequate human resource to serve our customer with highly effective. Meanwhile, **FUTABA** also pays attention to recruit qualified of participation in the mission. As of 2016, the data record of **FUTABA**' staff which are 90 staffs (Gentleman: 57, Lady: 33) as more detail in the table below:





2. Human Resource Development

FUTABA Microfinance Plc. encourages to employees who had high performance by promoting position as well as offered regular training courses by department, including internal training and external training.

Staff Training Activities

◆ Internal Staff Training Activities



◆ **Attending Workshop Activities of CMA**



Products and Services

FUTABA Microfinance Plc. was established and launched several products and services to offer all customers need which are able to choose an appropriate options as below:

Business Loan

- . Target Customer : To all customers who need financial service to support and expand their business in order gain profit.
- . Currency : USD
- . Loan Size : 500 - 200,000
- . Loan Term : 10 years



Housing Loan

- . Target Customer : To all customers who need to buy home or build home for residential and business purpose.
- . Currency : USD
- . Loan Size : 500 - 200,000
- . Loan Term : 10 years



Agriculture Loan

- . Target Customer : To all customers, who are farmer, need financial service to invest their agriculture sector.
- . Currency : USD
- . Loan Size : 500 - 200,000
- . Loan Term : 10 years



Consumption Loan

- . Target Customer : To all customers who financial service to buy other equipment's for personal use.
- . Currency : USD
- . Loan Size : 500 - 200,000
- . Loan Term : 10 years



Education Loan

- . Target Customer : To all parents or students who lack of financial for school fee.
- . Currency : USD
- . Loan Size : 300 - 1,000
- . Loan Term : 1 year

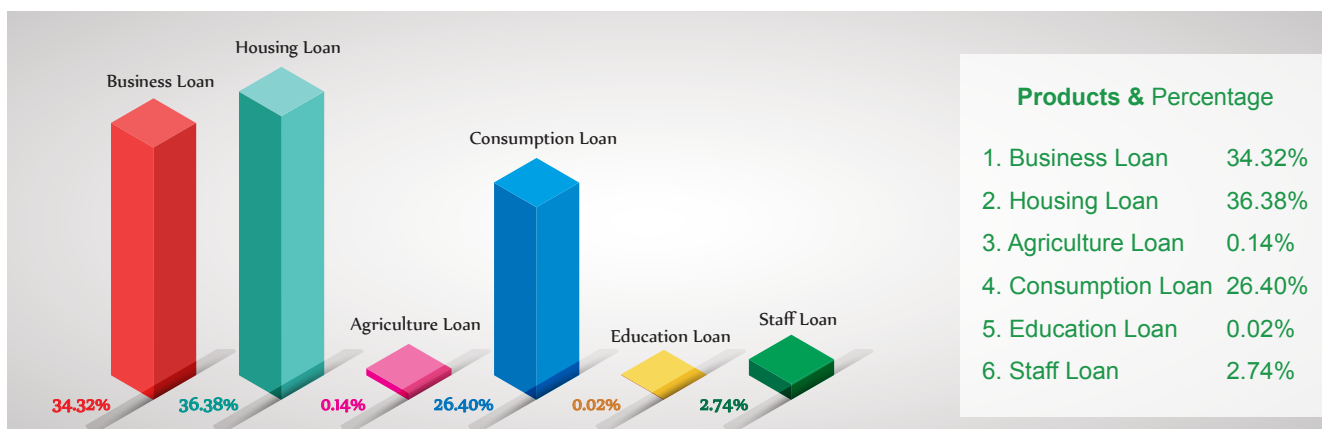


Staff Loan

- . This product lends to **FUTABA** staff only.



Noted that, in 2016 **FUTABA Microfinance Plc.** has provided loans to all customer types as the following percentage of loan products.



Products & Percentage	
1. Business Loan	34.32%
2. Housing Loan	36.38%
3. Agriculture Loan	0.14%
4. Consumption Loan	26.40%
5. Education Loan	0.02%
6. Staff Loan	2.74%

Clients



Mrs. **Sen Salin**, 47 years, who is located at Kampong Somnanh 1 Village, Sangkat Kampong Somnanh, Krong Takhmoav, Kandal province, is selling embroidery-Din at Russian Market. After loaned with **FUTABA** nearly a year ago, she indicate that her capital was used to increase and expand her business. Because of her endeavor and more fund

from **FUTABA**, has made her business fast growth and get more profit. Mrs. Salin also thanked to **FUTABA** and suggested that “usage loan in the right purpose including business effort, patient and managing expense will bring business progress and improve living condition to be better.



Mr. **Ly Soeun** and Mrs. **Houn Sony**, Spouse, resident in Prey Svay Village, Sangkat Chorm Chaov, Khan Por Senchey, Phnom Penh. After loan with **FUTABA** nearly a year ago, they indicate that “ we are very satisfied to live in the new house and also thank to **FUTABA**, which has contributed to make our dream come true”. However, we do the best to gain more income as well as to reduce unnecessary expense in order to make family life is more better.



Mr. **Porn Ros** is a carpenter, resident in Tangov Village, Sangkat Nirot, Khan Meanchey, Phnom Penh. He is pleasure to use loan from **FUTABA** and indicated that “I am very thankful to **FUTABA** where gives a chance to buy my dream car”.

Audited Report

Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of FUTABA Microfinance Plc. (“the Company”) for the year ended 31 December 2016.

Principal activity

The principal activity of the Company is to provide the public with sustainable micro-finance services to small and medium enterprises, and low-income families in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2016 were as follows:

	Year ended 31 December 2016		Period from 14 August 2015 to 31 December 2015	
	US\$	KHR'000 (Note 4)	US\$ (Unaudited)	KHR'000 (Note 4) (Unaudited)
Loss before income tax	(513,083)	(2,071,316)	(81,475)	(329,973)
Income tax expense	<u>(3,799)</u>	<u>(15,337)</u>	<u>-</u>	<u>-</u>
Net loss for the year/period	<u>(516,882)</u>	<u>(2,086,653)</u>	<u>(81,475)</u>	<u>(329,973)</u>

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under audit.

Share capital

As at 31 December 2016, the Company’s paid up share capital is US\$7,000,000 (equivalent to KHR28,259,000 thousand) (2015: US\$1,000,000) solely owned by AZUMA & Co., Ltd.

Bad and doubtful loans

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

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

Current assets

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts which they might be expected to realise.

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

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of its business operations.

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

Change of circumstances

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

Items of an unusual nature

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

Audited Report (cont.)

Events since the reporting date

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

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

• Mr. Chreuk Phally	Chairman
• Mr. Yosuke SASAKI	Director
• Dr. Chap Ratana	Director
• Mr. Ouk Chay	Independent Director

Directors' interests

None of the Directors held or dealt directly in the shares of the Company during the year. The indirect interests of the Directors of the Company are disclosed in the financial statements.

Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is 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 body corporate. During the financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Responsibilities of the Directors in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- (i). adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

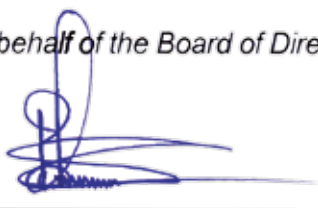
- (ii). comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii). oversee the Company’s financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv). assess 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; and
- (v). control and direct the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 8 to 43 which, in our opinion, present fairly, in all material respects, the financial position of FUTABA Microfinance Plc. as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

On behalf of the Board of Directors



Chreuk Phally
Chairman




Junichi SASAKI
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 22 MAR 2017

Audited Report (cont.)

Report of the independent auditors

To the shareholder of FUTABA Microfinance Plc.

Opinion

We have audited the financial statements FUTABA Microfinance Plc. (“the Company”), which comprise the balance sheet as at 31 December 2016, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 43.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Basis for Opinion

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

Other Matter

We draw attention to the fact that we have not audited the accompanying balance sheet of the Company as at 31 December 2015, the income statement, the statements, changes in equity and cash flows for the period from 14 August 2015 (date of incorporation) to 31 December 2015, or any of the related notes and accordingly, we do not express an opinion on them.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the Report of the Board of Directors as set out on pages 1 to 4, and the annual report which is expected to be made available to us after that date.

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 on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

As part of an audit in accordance with CISAs, we exercise professional 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

Audited Report (cont.)

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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

Date: 22 MAR 2017

Balance sheet

As at 31 December 2016

	Note	As at 31 December 2016		As at 31 December 2015	
		US\$	KHR'000 (Note 4)	US\$ (Unaudited)	KHR'000 (Note 4) (Unaudited)
ASSETS					
Cash on hand	5	12,563	50,717	581,507	2,355,103
Deposits and placements with the National Bank of Cambodia	6	359,832	1,452,642	53,794	217,866
Deposits and placements with banks	7	204,184	824,291	1,792	7,258
Loans to customers	8	6,347,241	25,623,812	-	-
Other assets	9	156,347	631,173	90,000	364,500
Property and equipment	10	461,239	1,862,022	197,933	801,629
Intangible assets	11	17,417	70,312	363	1,470
TOTAL ASSETS		7,558,823	30,514,969	925,389	3,747,826
LIABILITIES AND EQUITY					
LIABILITIES					
Other liabilities	12	148,128	597,993	6,864	27,799
Current income tax liability	19	731	2,951	-	-
Borrowings	13	708,321	2,859,492	-	-
Advances from a shareholder	14	300,000	1,211,100	-	-
TOTAL LIABILITIES		1,157,180	4,671,536	6,864	27,799
EQUITY					
Share capital	15	7,000,000	28,259,000	1,000,000	4,050,000
Accumulated losses		(598,357)	(2,415,567)	(81,475)	(329,973)
TOTAL EQUITY		6,401,643	25,843,433	918,525	3,720,027
TOTAL LIABILITIES AND EQUITY		7,558,823	30,514,969	925,389	3,747,826

The accompanying notes form an integral part of these financial statements.

Audited Report (cont.)

Income statement

for the year ended 31 December 2016

		Year ended 31 December 2016		Period from 14 August 2015 to 31 December 2015	
		US\$	KHR'000 (Note 4)	US\$ (Unaudited)	KHR'000 (Note 4) (Unaudited)
Interest income	16	369,173	1,490,351	-	-
Interest expenses		(12,387)	(50,006)	-	-
Net interest income		356,786	1,440,345	-	-
Other operating income	17	10,644	42,970	-	-
General and administrative expenses	18	(880,513)	(3,554,631)	(81,475)	(329,973)
Allowance for bad and doubtful loans	8	-	-	-	-
Loss before income tax		(513,083)	(2,071,316)	(81,475)	(329,973)
Income tax expense	19	(3,799)	(15,337)	-	-
Net loss for the year/period		(516,882)	(2,086,653)	(81,475)	(329,973)

Statement of changes in equity

for the year ended 31 December 2016

	Share capital US\$	Accumulated losses US\$	Total US\$
Issuance of share capital (Unaudited)	1,000,000	-	1,000,000
Net loss for the period (Unaudited)	-	(81,475)	(81,475)
At 31 December 2015 (Unaudited)	1,000,000	(81,475)	918,525
At 31 December 2015 (KHR'000 – Note 4) (Unaudited)	4,050,000	(329,973)	3,720,027
At 1 January 2016	1,000,000	(81,475)	918,525
Issuance of share capital	6,000,000	-	6,000,000
Net loss for the year	-	(516,882)	(516,882)
At 31 December 2016	7,000,000	(598,357)	6,401,643
At 31 December 2016 (KHR'000 – Note 4)	28,259,000	(2,415,567)	25,843,433

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2016



	Note	Year ended 31 December 2016		Period from 14 August 2015 to 31 December 2015	
		US\$	KHR'000 (Note 4)	US\$ (Unaudited)	KHR'000 (Note 4) (Unaudited)
Cash flows from operating activities					
Net cash used in operating activities	20	(6,650,061)	(26,846,296)	(164,611)	(666,674)
Cash flows from investing activities					
Purchase of property and equipment	10	(390,737)	(1,577,405)	(197,933)	(801,629)
Purchases of intangible assets	11	(28,037)	(113,185)	(363)	(1,470)
Capital guarantee deposit		(300,000)	(1,211,100)	(50,000)	(202,500)
Net cash used in investing activities		(718,774)	(2,901,690)	(248,296)	(1,005,599)
Cash flows from financing activities					
Advances from a shareholder	14	300,000	1,211,100	-	-
Proceeds from issuance of share capital	15	6,000,000	24,222,000	1,000,000	4,050,000
Proceed from borrowings	13	708,321	2,859,492	-	-
Net cash generated from financing activities		7,008,321	28,292,592	1,000,000	4,050,000
Net (decrease)/increase in cash and cash equivalents		(360,514)	(1,455,394)	587,093	2,377,727
Cash and cash equivalents at the beginning of the year/period		587,093	2,370,094	-	-
Cash and cash equivalents at the end of the year/period	21	226,579	914,700	587,093	2,377,727

The accompanying notes form an integral part of these financial statements.

Location Networks





Head Office Branch

 #795, Monivong Blvd, Sangkat Beung Trabek,
Khan Chamkar Morn, Phnom Penh.
 (855) 23 224 333 / 23 228 333



Tuol Kouk Branch



 #25, Street 598, Village 1, Sangkat Boeng
Kak 2, Khan Tuol Kouk, Phnom Penh.
 (855) 70 317 333



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3

Pou Senchey Branch

-  #78ñ, National Road 4, Village Prey Svay, Sangkat Chaom Chau, Khan Pou Senchey, Phnom Penh.
-  (855) 70 316 333

4

Chbar Mon Branch

-  #4, National Road 4, Village Sambuor, Sangkat Chbar Mon, Krong Chbar Mon, Kampong Speu Province.
-  (855) 70 314 333

Partners







070 312 333

Address : #795, Preah Monivong Blvd, Sangkat Beung Trabek, Khan Chamkamorn, Phnom Penh.

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