



2018

ANNUAL
REPORT

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1. Mission and Vision

a. Mission

PG Development Microfinance Plc. is one of the financial institution which providing a small and medium financial service to promote the public living condition through providing loan with reasonable interest rate and fast services to customers and SMEs in Phnom Penh City and Provinces.



b. Vision

Lead PG Development Microfinance Plc. to become customers' first mined microfinance which provide convenience and diversify financial services in Cambodia



2. Brief History

PG Development Microfinance Plc. is a financial institution which established in early of 2017 and registered business license with Ministry of Commerce No.00024896 dated 25 April, 2017 and received financial incorporation license No. MF-84 dated 11 August, 2017 from National Bank of Cambodia. The Institution was established in order to facilitate the financial need of people who are unable to find the source of capital to create and expand their business..



3. Institution's Information

Institution	: PG Development Microfinance Plc.
Business Registered Number	: 00024896
Registered Office	: No.20, St. 178, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Cambodia.
Telephone	: (098) 999 111 / 999 611
Email	: INFO@PGDEVELOPMENTBANK.COM
Business started Date	: 25 April 2017
Audit Firm	: Angkor Certified Accountant Network McMillion Woods

4. Business Summary

4.1 Chairman's Interest



Although world economic situation is experiencing many challenges and uncertainties, especially the tensions of trade warfare, which have thwarted the growth of China, the United States and other nations, the Cambodia's economy is still able to maintain a high and strong growth in the short and medium term. In 2017, Cambodia maintained a growth rate of 7.0%, supported by robust growth of construction sub-sector, continued growth of garment sub-sector and agriculture, strong recovery of hotel and restaurant sub-sectors and wholesale-retail sub-sector. However, Cambodia's manufacturing sub-sector, which focuses on low value-added production and the

slowly growth of garment sub-sector in recent years, demonstrates the urgency and importance of restructuring and diversifying the economy to the high value added garment sub-sector and other potential areas to sustain growth in the medium and long term.

Cambodia's economy in 2018 is estimated to grow at 7.5%, which is the highest growth rate in the last 10 years. In that, the industry played a major role as a driver of growth and growth at an estimated 12.3% due to the growth beyond the expectations of the garment sub-sector, robust growth of construction sub-sector and non-garment sub-sectors. In particular, the service sector continues to grow strongly at about 6.5%, supported by a good growth of sub-sectors such as hotel and restaurant, wholesale and retail, transportation and communications and real estate sub-sectors. The agricultural sector continued to grow at a slower pace of 1.7%, because of a slowly grow of Plantation sub-sector and Livestock sub-sector, although the fishery sub-sector maintained a slight pace of growth than 2017.

With a strong growth in 2018, current prices of GDP are estimated to increase to US \$ 24.4 billion, lead GDP per capita increased to US \$ 1,548. In addition, Cambodia can maintain low inflation and manageable at an annual average rate of 2.5% in 2018, down from 2.9% in 2017 due to lower domestic food prices. Meanwhile, the exchange rate continues to be stable, with the expectation that the riel will continue to hold about 4,053 Riel per 1 US dollar in 2018.

Through the economic evolution of Cambodia and the government's policy of tax exempt 1% on profit, which is a major factor in attracting more investors, I strongly hope that Cambodia's economy in 2019 will be better more.

4.2 Financial Highlight

Operation Result	31-Dec-2018
Profit before tax	(222,593.00)
Profit after tax	(222,911.00)

Significant financial information in Year End

Total Asset	1,800,747.00
Total Loan (Net)	382,679.00
Capital	2,000,000.00
Owner's Equity	1,777,089.00

Financial Ration

Return on Assets	-12.38%
Return of Owner's Equity	-12.54%
Net-worth to Total Assets	98.69%
Solvency Ration	372.87%

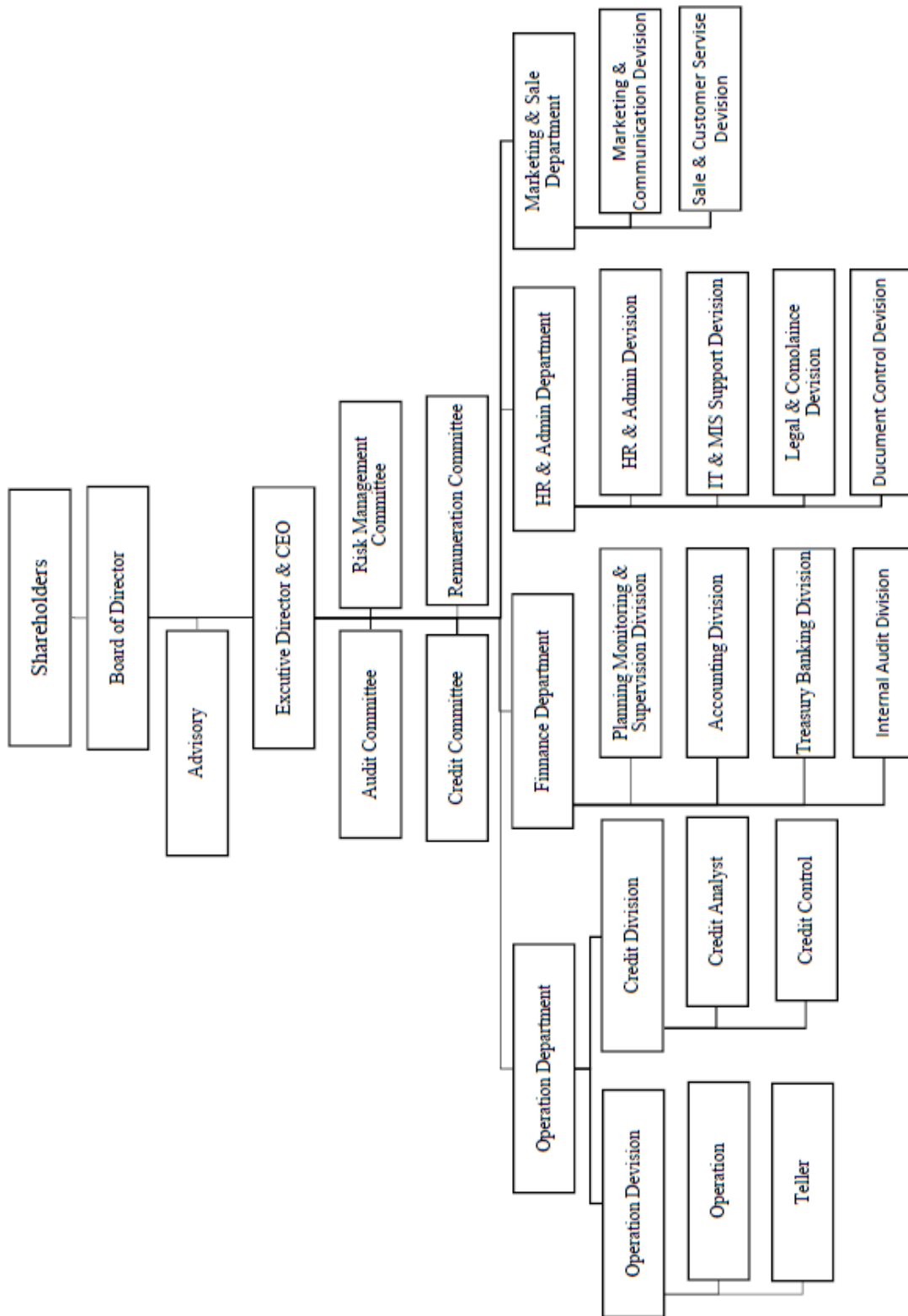
4.3 Compliance to the rule and Regulation of National Bank of Cambodia

PG Development Microfinance Plc. is always performing upon the guideline and Prakass issued by The National Bank of Cambodia. The Institution will consistently perform upon the circulation, Prakass and laws promulgated by the NBC

4.4 Thanks Giving

The Management of PG Development Microfinance Plc. have commit to keep high standard of its business governance and strong position of business operation in order to maintain sustainability of the development of microfinance and protect all parties interest and set out rules to guide all staff towards ethical behavior. Finally, on behalf of management and staff, I would like to express my profound gratitude to the Royal Government of Cambodia, the National Bank of Cambodia, all levels of authority and clients for their support and cooperation in the operational process of PG Development Microfinance Plc.

4.5 Organization Chart



5. Institution Governance

5.1 Products and Services

a. Products

Considering the need of the people to seek the resources to expand and support their businesses, and the growth consistently with current market has increased, PG Development Microfinance Plc. provide flexible customer loan service, cash amount, long term repayment and multiple repayment options, and can choose either currency in riel or US dollar upon customers' demand.



ផលិតផល និងសេវាកម្ម

- ឥណទានយានយន្ត & ឥណទានផ្ទាល់ខ្លួន
- ឥណទានអាជីវកម្ម
- ឥណទានគេហដ្ឋាន



b. Services

PG Development Microfinance Plc. has focused on customer service, maintaining close relationships, friendly, ethical and professional work to ensure the best service to customers.



5.2 Business Ethic

The institution has set out regulations to guide all staff towards ethical behavior based on key principles such as:

- No discrimination
- Avoid conflict to the benefit of the institution
- Equality for all employees and customers and maintains the confidentiality data of company and client
- Avoid personal interests through institutional operations

5.3 Corporate Vision

- Providing excellent service and efficiency
- Good relationship and loyalty to all customers and individuals
- Promote employees to be positive and active by raising salary, additional benefits and organizing parties.
- Strengthen staff training in new sections
- Promote good discipline
- Provide new services to our customers
- Research and study new content and learn about risk management

5.4 Risk Management

Risk management is at the heart of PG Development Microfinance Plc. being deeply concerned because it is the driving force behind the success of the establishment. At the same time, the institution has a major policy is preventing in advance of risks by identifying measures and allocating high responsibility for self-reliance in each section.

The institution will identify appropriate strategies to address and mitigate the risk levels at risk such as acceptance, remedy, transfer, and avoidance, and the institution will continue to conduct a review to ensure that those risks are managed and resolved.



5.5 Business Target

The institution has continued a steady stance in organizational structure to strengthen institutional benefits, to establish and to continue guidance the service of customer is priority, and continue enhancing its core growth by providing loans to clients. In that case, the institution plans to provide a credit to the riel in order to achieve 10% of the loan portfolio in accordance with the National Bank of Cambodia's regulations.

PG DEVELOPMENT PLC.

AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2018

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This report contains a section for the National Bank of Cambodia use which does not form part of the financial statements (page I to VIII)

CORPORATE INFORMATION

Company	:	PG DEVELOPMENT PLC.
Registered office	:	No. 20Eo, Street 178, Sangkat Phsar Thmey 3, Khan Duan Penh, Phnom Penh, Kingdom of Cambodia.
Principal office	:	No. 20Eo, Street 178, Sangkat Phsar Thmey 3, Khan Duan Penh, Phnom Penh, Kingdom of Cambodia.
Shareholder	:	Ngov Vouchgnim Men Sokchamroeun
Director	:	Mr. Men Sokchamroeun Mr. Sokreth Than Issara Mrs. Li Min
Auditors	:	Angkor Certified Accountant Network McMillan Woods (An independent member firm of McMillan Woods Global) (Certified Public Accountant) Kingdom of Cambodia

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial period ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company during the financial period is to provide lending service.

There have been no significant changes in the nature of these activities during the financial period.

RESULTS

	US\$
Loss after tax for the financial year	<u>(222,911)</u>

DIVIDENDS

No dividends were paid or declared since the commencement of its operation and the directors do not recommend the payment of dividends for the financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements.

ISSUE OF SHARES

During the financial period, the Company's authorised capital has been issued and fully paid with an amount of US\$2,000,000 divided into 1,000 ordinary shares of US\$2,000 each.

BAD AND DOUBTFUL DEBTS

Before the statement of income and the balance sheet of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and, the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance for doubtful debts had been made.

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

DIRECTORS' REPORT (Continued)

CURRENT ASSETS

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

At the date of this report, the directors are not aware of any circumstances, 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 or liabilities 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 financial period which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial period.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable, within the succeeding period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations 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 UNUSUAL NATURE

In the opinion of the directors:

- (a) the results of the operations of the Company for the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

DIRECTORS' REPORT (Continued)

DIRECTORS

The directors who served since the commencement of its operation are:

Mr. Men Sokchamroeun
Mr. Sokreth Than Issara
Mrs. Li Min

The retirement and re-election of the directors will be in accordance with the Company's Articles of Association.

According to the registers of directors' shareholding, the interests of directors in office at the end of the period in the ordinary shares of the Company and its related corporations during the period are as follows:

	<u>Number of ordinary shares of US\$ 2,000.00 each</u>		
	At	Acquired /	At
	24.04.2017	(Disposed)	31.12.2018
Mr. Men Sokchamroeun	-	600	600
Mrs. Ngov Vouchgnim	-	400	400

Other than the directors disclosed above, the other director did not have any interest in the ordinary shares of the Company during the financial period.

DIRECTORS' BENEFITS

Since the commencement of its operation, no director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any directors or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial period was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT (Continued)

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible to ensure that the financial statements for each financial period are properly drawn up so as to give a true and fair view of the state of affairs of the Company and of its results of operations and cash flows for the period then ended. In preparing those financial statements, the Board of Directors is 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 the disclosures requirements and guidelines issued by the National Bank of Cambodia and the Ministry of Economy and Finance of the Kingdom of Cambodia, or if there have been any departures in the interests of true and fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company 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 the Company has complied with the above requirements in preparing the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the directors




Mr. Men Sokchamroeun
Director

Dated: 9 April 2019

DIRECTORS' STATEMENT

I, *Mr. Men Sokchamroeun*, being the director of **PG Development Plc.**, do hereby state that:

- i) the results of the operations of the Company for the financial period ended 31 December 2018 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the period and the date of this report other than as disclosed in the financial statements, and
- ii) the accompanying financial statements of the Company have been drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2018 and of the results of its operations and cash flows for the financial period ended on that date, in compliance with the National Bank of Cambodia's guidelines and the Cambodian Accounting Standards.

Signed on behalf of the Board
in accordance with a resolution of the directors




Mr. Men Sokchamroeun

Director

Dated: 9 April 2019



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AGREED BY THE MEF ON DECEMBER 01, 1999, MOJ
ON APRIL 23, 2001, NBC ON JANUARY 26, 2005 AND
SECC ON OCTOBER 13, 2011

"The Business Mind"

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF PG DEVELOPMENT PLC.

Opinion

We have audited the financial statements of **PG Development Plc.** ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 29.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the period then ended in accordance with Cambodian Accounting Standards (CAS) and the guidelines issued by 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with CAS modified by NBC guidelines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other matters

There are no comparative figures as this is the first set of financial statements prepared by the Company.

The company in Cambodia required to prepare financial statements using CIFRSs or CIFRS for SMEs and NBC has issued a new guideline require the Bank and financial institution in Cambodia to implement the CIFRSs by 1 January 2019 and early adoption is permitted.

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 CAS modified by NBC guidelines 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.



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SECC ON OCTOBER 13, 2011

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF PG DEVELOPMENT PLC. (CONTINUED)

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.



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SECC ON OCTOBER 13, 2011

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF PG DEVELOPMENT PLC. (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continue)

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.

A.C.A
ANGKOR CERTIFIED ACCOUNTANT
Network McMillan Woods
(An independent member firm of McMillan Woods Global)
(Certified Public Accountant)

Phnom Penh, Kingdom of Cambodia.
Dated: 9 April 2019

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	31-12-18	
		US\$	KHR'000
ASSETS			
Cash in hand		1,200,985	4,825,558
Balance with NBC	4	23,160	93,057
Loans and advances to customers	5	382,679	1,537,604
Other assets	6	6,143	24,683
Statutory deposits with central bank	7	100,000	401,800
Intangible assets	8	19,402	77,957
Property and equipment	9	68,378	274,743
TOTAL ASSETS		<u>1,800,747</u>	<u>7,235,402</u>
LIABILITIES			
Other liabilities	10	23,608	94,857
Provision for income tax	11	50	201
TOTAL LIABILITIES		<u>23,658</u>	<u>95,058</u>
CAPITAL AND RESERVES			
Share capital	12	2,000,000	8,036,000
Loss		(222,911)	(895,656)
TOTAL CAPITAL AND RESERVES		<u>1,777,089</u>	<u>7,140,344</u>
TOTAL LIABILITIES AND CAPITAL		<u>1,800,747</u>	<u>7,235,402</u>

Signed on behalf of the Board
in accordance with a resolution of the directors

Mr. Men Sokchamroeun
Director

Dated: 9 April 2019

The accompanying notes are an integral part of these financial statements

STATEMENT OF INCOME

FOR THE FINANCIAL PERIOD FROM 24 APRIL 2017 TO 31 DECEMBER 2018

	Note	24-04-17 to 31-12-18	
		US\$	KHR'000
Interest income	13	22,509	90,441
Net interest income		22,509	90,441
Other operating income	14	9,522	38,259
Personnel cost	15	(103,742)	(416,835)
General and administrative expenses	16	(147,030)	(590,767)
Operation loss before allowance for impairment		(218,741)	(878,902)
Provision for loan impairment losses	5	(3,852)	(15,477)
Loss before tax		(222,593)	(894,379)
Income tax expense	11	(318)	(1,278)
Loss after tax for the period		(222,911)	(895,657)

Signed on behalf of the Board
in accordance with a resolution of the directors

Mr. Men Sokchamroeu
Director

Dated: 9 April 2019

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 24 APRIL 2017 TO 31 DECEMBER 2018

	<u>Share capital</u>	<u>Retained profits</u>	<u>Total</u>
	US\$	US\$	US\$
As at 24 April 2017	-	-	-
Loss after tax for the period	-	(222,911)	(222,911)
Issue of shares during the financial year	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
As at 31 December 2018	<u>2,000,000</u>	<u>(222,911)</u>	<u>1,777,089</u>
As at 31 December 2018 - KHR'000	<u>8,036,000</u>	<u>(895,656)</u>	<u>7,140,344</u>

Signed on behalf of the Board
in accordance with a resolution of the directors

Mr. Men Sokchamroeun
Director

Dated: 9 April 2019

CASH FLOW STATEMENT

FOR THE FINANCIAL PERIOD FROM 24 APRIL 2017 TO 31 DECEMBER 2018

	Note	24-04-17 to 31-12-18	
		US\$	KHR'000
Cash flows from operating activities			
Profit before tax		(222,593)	(894,379)
<i>Adjustment for:</i>			
Depreciation and amortization		53,176	213,661
Allowance for bad and doubtful debts		3,852	15,477
Operating profit before working capital changes		(165,565)	(665,241)
Loans and advances to customers		(386,531)	(1,553,081)
Other assets		(743)	(2,985)
Accrual and other payables		23,608	94,857
Cash used in operations		(529,231)	(2,126,450)
Income tax paid		(268)	(1,077)
Net cash used in operating activities		(529,499)	(2,127,527)
Cash flows from investing activity			
Purchases of property and equipment		(105,956)	(425,731)
Purchases of core-banking software		(35,000)	(140,630)
Rental deposit		(5,400)	(21,697)
Statutory deposit		(100,000)	(401,800)
Net cash used in investing activity		(246,356)	(989,858)
Cash flows from financing activity			
Paid-in capital		2,000,000	8,036,000
Net cash generated from financing activity		2,000,000	8,036,000
Net (decrease)/increase in cash and cash equivalents		1,224,145	4,918,615
Cash and cash equivalents at end of financial period		1,224,145	4,918,615
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash in hand		1,200,985	4,825,558
Balance with NBC	4	23,160	93,057
		1,224,145	4,918,615

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 AND FOR THE PERIOD THEN ENDED

1. GENERAL

PG Development Plc. is a public limited company incorporated in Kingdom of Cambodia under the registration no. 00024896 dated 25 April 2017 issued by the Ministry of Commerce and obtained the license from the National Bank of Cambodia (“NBC”) no. M.F-84 dated 11 August 2017 validated till 11 August 2020 and started operations of micro-finance services. There have been no significant changes in the nature of these principle activities during the financial period.

The registered office is located in Phnom Penh at No. 20Eo, Street 178, Sangkat Phsar Thmey 3, Khan Duan Penh, Phnom Penh, Kingdom of Cambodia and the Company had 9 employees as at 31 December 2018.

2. BASIC OF PREPARATION

The financial statements of the Company are prepared under the historical cost convention in accordance with the guidelines issued by the National Bank of Cambodia (“NBC”), Cambodian Accounting Standards and practices within the micro-finance industry. Those principles require that financial instruments be carried at cost less allowances for impairment. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The presentation of financial statements in conformity with Cambodian Accounting Standards as modified by NBC guidelines requires that the Company’s Management make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes.

The estimates have been made based on existing available information and the Management’s judgment. Due to the fact that an active market does not exist for a significant portion of the Company’s assets and liabilities, it is possible that actual results could differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practice in other countries and those who are not informed about Cambodia’s procedures and practices.

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts essentially in US Dollar (“US\$”) and maintains its books of accounts primarily in US\$, the Management has determined the US\$ to be the Company’s measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the period are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 4,018 KHR. The purposes of such conversions are to comply with NBC’s financial statements presentation guidelines only and should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into US\$ at this or any other rate of exchange.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currencies

Assets and liabilities expressed in currencies other than US\$ are translated into US\$ at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. All gains and losses on exchange arising from such conversion are reported on a net basis in the statement of income.

3.2 Financial instruments

The Company's financial assets and liabilities include cash and cash equivalents, originated loans, other assets, and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, bank overdrafts and other short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.4 Statutory deposits with central bank

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the law on Banking and Financial Institutions ("LBFI") and are not available to finance the Company day to day operations and hence are not considered as part of cash and cash equivalents for the purpose of the cash flow statement.

3.5 Loans and advances to customers

Loans originated by the Company by providing money directly to the borrowers at draw down are categorized as loans and advances and are carried at cost, less provisions for impairment. Interest in suspense represents interest accrued on loan receivables that are substandard, doubtful or bad.

3.6 Allowance for impairment losses

Allowances for loan impairment are based on the latest NBC guidelines and are made with regard to specific risks on loans individually reviewed and classified as normal, special mention, substandard, doubtful or loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and minimum level of allowance:

Classification	Overdue	Allowances
Short term loans (less than one year)		
Normal/standard	Less than 15 days	1%
Special mention	More than 15 days	3%
Substandard	More than thirty days	20%
Doubtful	More than sixty days	50%
Loss	More than ninety days	100%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Allowance for impairment losses (Continued)

Classification	Overdue	Allowances
Long term loans (more than one year)		
Normal/standard	Less than thirty days	1%
Special mention	More than thirty days	3%
Substandard	More than ninety days	20%
Doubtful	More than six months	50%
Loss	More than one year	100%

Exception on the above provision rate may be considered but this is conditional on the actual market value of the collateral having been deemed acceptable by the NBC on a case-by-case basis.

An uncollectible loan or portion of a loan classified as bad is write off after taking into consideration the realizable value of the collateral, if any, when in the judgment of the management, there is no prospect of recovery.

3.7 Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is provided on a declining balance method to write off the cost of each asset over their estimated useful lives at the following:

Leasehold improvement	5 years
Furniture and fixtures	2 – 3 years
Office equipment	3 years
Computer equipment	3 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property and equipment and depreciation (Continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognized in the statement of income.

3.8 Provision

A provision is recognised when the Company have a present obligation 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. Provisions are recognised based on a reliable estimate of the amount of the obligation.

3.9 Equity

Equity is stated at proceeds received.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

3.10 Income tax

Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

Income tax on the profit or loss for the financial period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Revenue - Income recognition

Interest income is recognised on the accrual basis in the statement of income as it accrues, taking into account the effective yield of the assets. Interests earned on loans and advances to customers are recognized on the accrual basis, except where loans become doubtful of collection, in which case, no interest is recognized as income. Where an account is classified as non-performing, recognition of interest income is suspended until it is realized on a cash basis. Customer's loan accounts are classified as non-performing where repayments are in arrears for more than thirty days.

Loan arrangement fee and commissions are recognized in the statement of income when all the conditions precedent are fulfilled.

Service charges, processing fees and other operating income are recognised when the right to receive payment is established.

3.12 Operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

3.13 Related parties

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

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

3.14 New standards and interpretation not yet adopted

As per NBC's new guidelines, the Company required to adopt the CIFRSs generally applied in Cambodia. The Bank required to adopt the CIFRSs by 1 January 2019 and early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

4. BALANCE WITH NBC

	31-12-18	
	US\$	KHR'000
Current account NBC-KHR	12,444	50,000
Current account NBC-US\$	10,716	43,057
	<u>23,160</u>	<u>93,057</u>

5. LOANS AND ADVANCES TO CUSTOMERS

	31-12-18	
	US\$	KHR'000
Long-term loans	325,135	1,306,393
Short term loans	60,014	241,136
	<u>385,149</u>	<u>1,547,529</u>
Accrued interest receivable	1,382	5,553
	<u>386,531</u>	<u>1,553,081</u>
General provision	(3,852)	(15,477)
Net loans and advances to customers	<u>382,679</u>	<u>1,537,604</u>

Changes in general provision for impairment losses are as follows:

	31-12-18	
	US\$	KHR'000
At beginning of the financial period	-	-
Movement during period	3,852	15,477
At end of the financial period	<u>3,852</u>	<u>15,477</u>

The loans and advances to customers are analysis as follows:

	31-12-18	
	US\$	KHR'000
(a) By maturity period:		
Within one month	-	-
One to three months	385	1,547
From three to twelve months	63,094	253,512
From one year to five years	321,670	1,292,470
Over five years	-	-
	<u>385,149</u>	<u>1,547,529</u>
(b) By performance:		
Normal loans/standard loans		
- Secured	385,149	1,547,529
- Unsecured	-	-
	<u>385,149</u>	<u>1,547,529</u>
(c) By currency denomination:		
Khmer Riel	-	-
US dollar	385,149	1,547,529
	<u>385,149</u>	<u>1,547,529</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

5. LOANS AND ADVANCES TO CUSTOMERS (Continued)

	31-12-18	
	US\$	KHR'000
(d) By status of residence:		
Residents	385,149	1,547,529
(e) By relationship:		
Non-related parties	385,149	1,547,529
	<u>385,149</u>	<u>1,547,529</u>
(g) By industry:		
Trade and commerce	123,997	498,220
Transportation	9,691	38,938
Household/family	251,461	1,010,371
	<u>385,149</u>	<u>1,547,529</u>
(k) By interest rates (per annum):		
External customers		6% to 18%

6. OTHER ASSETS

	31-12-18	
	US\$	KHR'000
Rental deposit	5,400	21,697
Others	743	2,986
	<u>6,143</u>	<u>24,683</u>

7. STATUTORY DEPOSITS WITH CENTRAL BANK

Statutory deposit on capital represents a five percent interest-bearing statutory deposit on capital to comply with NBC's Prakas No. B7-00-06 dated 11 January 2000, amended by Prakas No. B7-016-117 dated 22 March 2016. The deposit is refundable when the Company voluntarily liquidates and has no deposits liabilities.

This statutory deposit is interest bearing at 1/2 of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US Dollar.

8. INTANGIBLE ASSETS – SOFTWARE

	31-12-18	
	US\$	KHR'000
<i>Cost</i>		
Additions	35,000	140,630
Disposals	-	-
At 31.12.2018	<u>35,000</u>	<u>140,630</u>
<i>Accumulated depreciation</i>		
Charge during the period	15,598	62,673
Disposals	-	-
At 31.12.2018	<u>15,598</u>	<u>62,673</u>
<i>Net book value</i>		
At 31.12.2018	<u>19,402</u>	<u>77,957</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

9. PROPERTY AND EQUIPMENT

	Office equipment US\$	Motor Vehicles US\$	Leasehold improvement US\$	Furniture and fixtures US\$	Computer and equipment US\$	Total US\$
<i>Cost</i>						
Additions	902	1,500	43,452	12,350	47,752	105,956
Disposals	-	-	-	-	-	-
At 31.12.2018	<u>902</u>	<u>1,500</u>	<u>43,452</u>	<u>12,350</u>	<u>47,752</u>	<u>105,956</u>
<i>Accumulated depreciation</i>						
Charge during the period	306	126	11,619	5,569	19,958	37,578
Disposals	-	-	-	-	-	-
At 31.12.2018	<u>306</u>	<u>126</u>	<u>11,619</u>	<u>5,569</u>	<u>19,958</u>	<u>37,578</u>
<i>Net book value</i>						
At 31.12.2018	<u>596</u>	<u>1,374</u>	<u>31,833</u>	<u>6,781</u>	<u>27,794</u>	<u>68,378</u>
Equivalent to KHR'000	<u>2,395</u>	<u>5,521</u>	<u>127,905</u>	<u>27,246</u>	<u>111,676</u>	<u>274,743</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

10. OTHER PAYABLES

	31-12-18	
	US\$	KHR'000
Accrued taxes payable	370	1,487
Other payable	23,238	93,370
	<u>23,608</u>	<u>94,857</u>

11. INCOME TAX

In accordance with the Cambodia taxation law, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profit or the minimum tax at 1% of gross revenue, whichever is higher.

(a) Provision for income tax

	31-12-18	
	US\$	KHR'000
Charge during the period	318	1,278
Taxation paid during the period	(268)	(1,077)
At end of the financial period	<u>50</u>	<u>201</u>

(b) Current tax expense

	24-04-17 to 31-12-18	
	US\$	KHR'000
Reconciliation of tax expense:		
Profit/(loss) before tax	<u>(222,593)</u>	<u>(894,379)</u>
Income tax at Cambodian tax rate	(44,519)	(178,877)
Tax effects of :		
Non-deductible expenses for tax purpose	928	3,729
Unrecognised tax losses	<u>43,591</u>	<u>175,148</u>
	-	-
Minimum tax	<u>318</u>	<u>1,278</u>
Tax expense	<u>318</u>	<u>1,278</u>

(c) Unabsorbed tax loss

	31-12-18	
	US\$	KHR'000
Unabsorbed tax losses	43,591	175,148
Exchange difference	-	1,614
	<u>43,591</u>	<u>176,762</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

12. SHARE CAPITAL

	<u>31-12-18</u>	
	US\$	KHR'000
Authorised:		
1,000 Ordinary shares of US\$ 2,000.00 each		
Created during the financial period	<u>2,000,000</u>	<u>8,036,000</u>
As at end of financial period	<u><u>2,000,000</u></u>	<u><u>8,036,000</u></u>
Issued and fully paid:		
1,000 Ordinary shares of US\$ 2,000.00 each		
Issuance of shares during the financial period	<u>2,000,000</u>	<u>8,036,000</u>
As at end of financial period	<u><u>2,000,000</u></u>	<u><u>8,036,000</u></u>

13. INTEREST INCOME

	<u>24-04-17 to 31-12-18</u>	
	US\$	KHR'000
Interest income on:		
Loans and advances	21,793	87,564
Deposit with NBC and other banks	<u>716</u>	<u>2,877</u>
	<u><u>22,509</u></u>	<u><u>90,441</u></u>

14. OTHER INCOME

	<u>24-04-17 to 31-12-18</u>	
	US\$	KHR'000
Late and repay charges	398	1,599
Other income	<u>9,124</u>	<u>36,660</u>
	<u><u>9,522</u></u>	<u><u>38,259</u></u>

15. PERSONNEL COST

	<u>24-04-17 to 31-12-18</u>	
	US\$	KHR'000
Staff - Salaries, overtime and allowances	90,667	364,300
Other related staff costs	<u>13,075</u>	<u>52,535</u>
	<u><u>103,742</u></u>	<u><u>416,835</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

16. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>24-04-17 to 31-12-18</u>	
	US\$	KHR'000
Depreciation	37,578	150,988
Office rental	32,400	130,183
Amortization	15,598	62,673
License fee	14,031	56,377
Water and electricity	9,136	36,708
Printing, postages and stationery	6,635	26,659
Professional fee	5,726	23,007
Security charges	3,902	15,678
Communication expense	3,857	15,497
Other tax expense	3,585	14,405
Promotion and marketing expenses	974	3,914
Insurance	353	1,418
Repairs and maintenance	265	1,065
Loss on foreign exchange - Unrealized	61	246
Bank charges	26	104
Other expenses	12,903	51,845
	<u>147,030</u>	<u>590,767</u>

17. RELATED PARTY TRANSACTIONS

The Company has significant transactions with parties related by way of common directors and shareholders on terms agreed between the parties as follows:

	<u>24-04-17 to 31-12-18</u>	
	US\$	KHR'000
Director remuneration and other benefits	27,000	108,486
Office rental expense to related party	32,400	130,183

18. INTEREST RATE, LIQUIDITY, CURRENCY AND CREDIT RISKS

19.1 INTEREST RATE RISK

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

An analysis of the interest rate risk pertaining to the Company's assets and liabilities is disclosed below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

19.1 INTEREST RATE RISK (Continued)

As at 31 December 2018

	Up to 1 month US\$	1-3 months US\$	3-12 months US\$	1 to 5 year US\$	Over 5 year US\$	Non-interest bearing US\$	Total US\$	Average interest rate %
Financial assets								
Cash in hand	-	-	-	-	-	1,200,985	1,200,985	-
Balance with NBC	-	-	-	-	-	23,160	23,160	-
Statutory deposits	-	-	-	-	100,000	-	100,000	0.48
Loans and advances to customers:								
- Performing	-	385	63,094	321,670	-	-	385,149	6.00 - 18.00
- Interest receivable	-	-	-	-	-	1,382	1,382	-
- General provisions	-	-	-	-	-	(3,852)	(3,852)	-
Other assets	-	-	-	-	-	743	743	-
Total financial assets	-	385	63,094	321,670	100,000	1,222,418	1,707,567	
Financial liabilities								
Other Liabilities	-	-	-	-	-	23,658	23,658	-
Total financial liabilities	-	-	-	-	-	23,658	23,658	
Interest sensitive gap 2018	-	385	63,094	321,670	100,000	1,198,760	1,683,909	
Equivalent to KHR'000	-	1,547	253,512	1,292,470	401,800	4,816,618	6,765,946	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

19.2 LIQUIDITY RISK

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

19.2 LIQUIDITY RISK (Continued)

As at 31 December 2018

	Up to 1 month US\$	1-3 months US\$	3-12 months US\$	1 to 5 year US\$	Over 5 year US\$	No fixed maturity date US\$	Total US\$	KHR'000
Financial assets								
Cash in hand	1,200,985	-	-	-	-	-	1,200,985	4,825,558
Balance with NBC	23,160	-	-	-	-	-	23,160	93,057
Statutory deposits with central bank	-	-	-	-	-	100,000	100,000	401,800
Loans and advances to customers:								
- Performing	-	385	63,094	321,670	-	-	385,149	1,547,528
- Interest receivable	1,382	-	-	-	-	-	1,382	5,553
- General provisions	-	-	-	-	-	(3,852)	(3,852)	(15,477)
Other assets	-	-	-	743	-	-	743	2,985
Total financial assets	1,225,527	385	63,094	322,413	-	96,148	1,707,567	6,861,005
Financial liabilities								
Other Liabilities	50	-	23,608	-	-	-	23,658	95,058
Total financial liabilities	50	-	23,608	-	-	-	23,658	95,058
Net position as at 31 December 2018	1,225,477	385	39,486	322,413	-	96,148	1,683,909	6,765,946

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. **AND FOR THE** ERROR! UNKNOWN DOCUMENT PROPERTY NAME. **THEN ENDED**

19.3 CURRENCY RISK

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

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

19.4 CREDIT RISK

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

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

20. COMMITMENTS AND CONTINGENCIES

20.1 TAX INTERPRETATION

The Cambodia General Department of Taxation has two separate offices that are authorised to conduct tax audits of entities undertaking activities and doing business in Cambodia. The application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by these two tax offices. The Company's judgement of its business activities may not coincide with the interpretation of the same activities by those tax offices.

If a particular treatment was to be challenged by those various tax authorities, the Company may be assessed additional taxes, penalties and interest, which can be significant, Tax years remain open to review by the tax authorities for three years with a possible extension of up to ten years.

20.2 CREDIT RELATED COMMITMENTS

The Company has no commitments and contingent liabilities as a micro finance institution is not in the position to provide guarantees or contingent assurances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

AS AT Error! Unknown document property name. AND FOR THE ERROR! UNKNOWN DOCUMENT PROPERTY NAME. THEN ENDED

20.3 LEASE COMMITMENTS

The Company has operating lease commitments in respect of office buildings as follows:

	<u>31-12-18</u>	
	US\$	KHR'000
Within one year	21,600	86,789
One to five years	10,800	43,394
More than five years	<u>-</u>	<u>-</u>
	<u>32,400</u>	<u>130,183</u>

21. COMPARATIVE FIGURES

There are no comparative figures as this is the first set of financial statements prepared by the Company.

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Since market prices for the major part of the Company's financial assets and liabilities are not available, the fair value of these items is based on the estimates of the Management according to the type of assets and liabilities. According to the estimation of the Management, the market value is not materially different from the book value of all categories of assets and liabilities.

23. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 9 April 2019.

FOR THE NATIONAL BANK OF CAMBODIA USE ONLY

**Supplementary Financial Information and Other
Disclosures (required by the National Bank of Cambodia)**

Ratio and information contained in this section have been extracted from data contained in the audited financial statements for the period ended 31 December 2018.

STATEMENT BY THE DIRECTORS

I, *Mr. Men Sokchamroeun*, being director of **PG Development Plc.**, do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by *Prakas* of the National Bank of Cambodia are properly drawn up so as to reflect fairly the required financial information of the Company as at 31 December 2018. Information and data contained herein is the responsibility of the Company's management.

Signed on behalf of the Board
in accordance with a resolution of the directors

Mr. Men Sokchamroeun
Director

Dated: 9 April 2019

NET WORTH AS AT 31 DECEMBER 2018

In accordance with the NBC's Prakas No.B-700-47 dated 16 February 2000; amended by Prakas No.B 7-07-132 dated 27 August 2007, the Company should maintain a permanent net worth value to at least equal to its minimum capital. The Company's net worth as at 31 December 2018 was calculated as follows:

	31-12-18	
	US\$	KHR'000
CATEGORY A ITEMS		
Paid up capital	2,000,000	8,036,000
Reserves other than revaluation reserves	-	-
Share premiums	-	-
Retained earnings	-	-
Current period profit/(losses)	(222,911)	(895,656)
Other items approved by NBC	-	-
SUB-TOTAL A	1,777,089	7,140,344
<u>Limit check on retained earnings</u>	0.00%	
<i>(Max. 20% of sub-total A)</i>		
CATEGORY B ITEMS		
Loan and advance to related parties	-	-
Holding of own shares	-	-
Accumulated losses	-	-
Intangible assets - Goodwill	-	-
Loss determined on dates other than year-end	-	-
SUB-TOTAL B	-	-
TIER 1 CAPITAL (A-B)	1,777,089	7,140,344
CATEGORY C ITEMS		
Revaluation reserves	-	-
Subordinated debts	-	-
Other items approved by the NBC	-	-
SUB-TOTAL C	-	-
<u>Limit check on subordinated debts</u>	N/A	
<i>(Max. 50% of tier 1 capital)</i>		
CATEGORY D ITEMS		
Equity participation in banking or financial institution	-	-
Other items	-	-
SUB-TOTAL D	-	-
TIER 2 CAPITAL (C-D)	-	-
<u>Limit check on tier 2 capital</u>	N/A	
<i>(Max. 100% of tier 1 capital)</i>		
E. TOTAL NET WORTH	1,777,089	7,140,344

LIQUIDITY RATIO AS AT 31 DECEMBER 2018

In accordance with the NBC's Prakas No.B 7-00-38 dated 9 February 2000 amended by Prakas No. B 7-02-48 dated 25 February 2002; micro-finance institutions are required to calculate a liquidity ratio which should be at least 100%. Details of calculations are shown below:

	31-12-18	
	US\$	KHR'000
A. NUMERATOR		
Debit items:		
Cash and gold	1,200,985	4,825,558
Deposits with NBC excluding statutory deposits	23,160	93,057
Deposits with banks	-	-
Portion of lending to banks and financial institutions with maturity up to one month	-	-
Portion of lending to customers up to one month to run	-	-
Treasury bill with maturity up to one month	-	-
Total debit items	1,224,145	4,918,615
Credit items:		
Sight accounts with NBC, banks and financial institutions	-	-
Borrowing from NBC and banks less than one	-	-
Total credit items	-	-
TOTAL A. Lender/(Borrower)position	1,224,145	4,918,615
B. DENOMINATOR		
Voluntary saving deposits at 25%	-	-
TOTAL B	-	-
Liquidity ratio (A/B)	Not applicable	

SOLVENCY RATIO AS AT 31 DECEMBER 2018

In accordance with the NBC's Prakas No. B 7-00-06 date 11 January 2000; amended by Prakas No. B 7-07-133 dated 27 August 2007, all micro-finance institutions shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposure. The result found shall not be less than 15 per cent.

		31-12-18	
	Weighting	US\$	KHR'000
NUMERATOR			
A. Net worth as at 31 December		1,777,089	7,140,344
DENOMINATOR			
Cash in hand	0%	-	-
Deposits with central bank	0%	-	-
Claims on sovereigns rated AAA to AA-	0%	-	-
Claims on sovereigns rated A+ to A-	20%	-	-
Claims on banks rated AAA to AA-	20%	-	-
Claims on sovereigns rated BBB+ to BBB-	50%	-	-
Claims on banks rated A+ to A-	50%	-	-
Other assets	100%	476,602	1,914,987
Off-balance sheet items:			
Full risk	100%	-	-
Medium risk	50%	-	-
Moderate risk	20%	-	-
B. Total risk-weighted assets		476,602	1,914,987
SOLVENCY RATIO (A/B)		372.87%	

FOREIGN CURRENCY TRANSACTIONS

In accordance with the NBC's Prakas B7-00-50 dated 17 February 2000, the Company is required to disclose a summary of assets and liabilities at the balance sheet date in their sources currencies which was as follows:

	31-12-18	
	US\$	KHR'000
	or Equivalents	or Equivalents
Assets:		
US Dollar	1,788,303	7,185,401
Khmer Riel	<u>12,444</u>	<u>50,000</u>
	<u>1,800,747</u>	<u>7,235,401</u>
Liabilities:		
US Dollar	23,658	95,058
Khmer Riel	<u>-</u>	<u>-</u>
	<u>23,658</u>	<u>95,058</u>

No hedging was recognized in the above balances.

LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL LOANS

In accordance with the NBC's Prakas No. B 7-02-186 dated 13 September 2002, amended by Prakas No. B 7-017-344 dated 1 December 2017, the finance institutions shall classify their loan portfolio in to five classes defined as standard/normal, special mention, substandard, doubtful and loss, and record specific provision regardless of the assets (except cash) lodged as collateral. The loan classification and provision for bad and doubtful debts as at 31 December 2018 are as follows:

	Principal loans	Provision	NBC's standard	Bank's provision	Difference
As at 31 December 2018	US\$	%	US\$	US\$	US\$
Standard	385,149	1	3,851	3,851	-
Special mention	-	3	-	-	-
Substandard	-	20	-	-	-
Doubtful	-	50	-	-	-
Loss	-	100	-	-	-
	<u>385,149</u>		<u>3,851</u>	<u>3,851</u>	<u>-</u>
Equivalent in	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	1,547,529	-	15,473	15,473	-
Substandard	-	10	-	-	-
Doubtful	-	30	-	-	-
Loss	-	100	-	-	-
	<u>1,547,529</u>		<u>15,473</u>	<u>15,473</u>	<u>-</u>

OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRE BY THE LAW ON BANKING AND FINANCIAL INSTITUTIONS

- ***Minimum capital (Prakas B7-00-06 dated 11 January 2000, amended by Prakas B7-016-117 dated 22 March 2016)***

The Company's paid-up capital at the balance sheet date is US\$ 2,000,000 (equivalent to approximately KHR 8.036 billion)

- ***Large exposures***

Under the provisions of *Prakas* No. B7-00-06 dated 11 January 2000, all micro-finance institutions are required to maintain at all times a maximum ratio of 10% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

The Company has no large exposures at the balance sheet date.