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FUTABA MICROFINANCE PLC.



Annual Report

2017

Dreams Come True



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Annual Report 2017

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Dreams Come True

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Futaba's Profiles

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

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.

Slogan

DREAMS COME TRUE

History of FUTABA Microfinance Plc.



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



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



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



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

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.

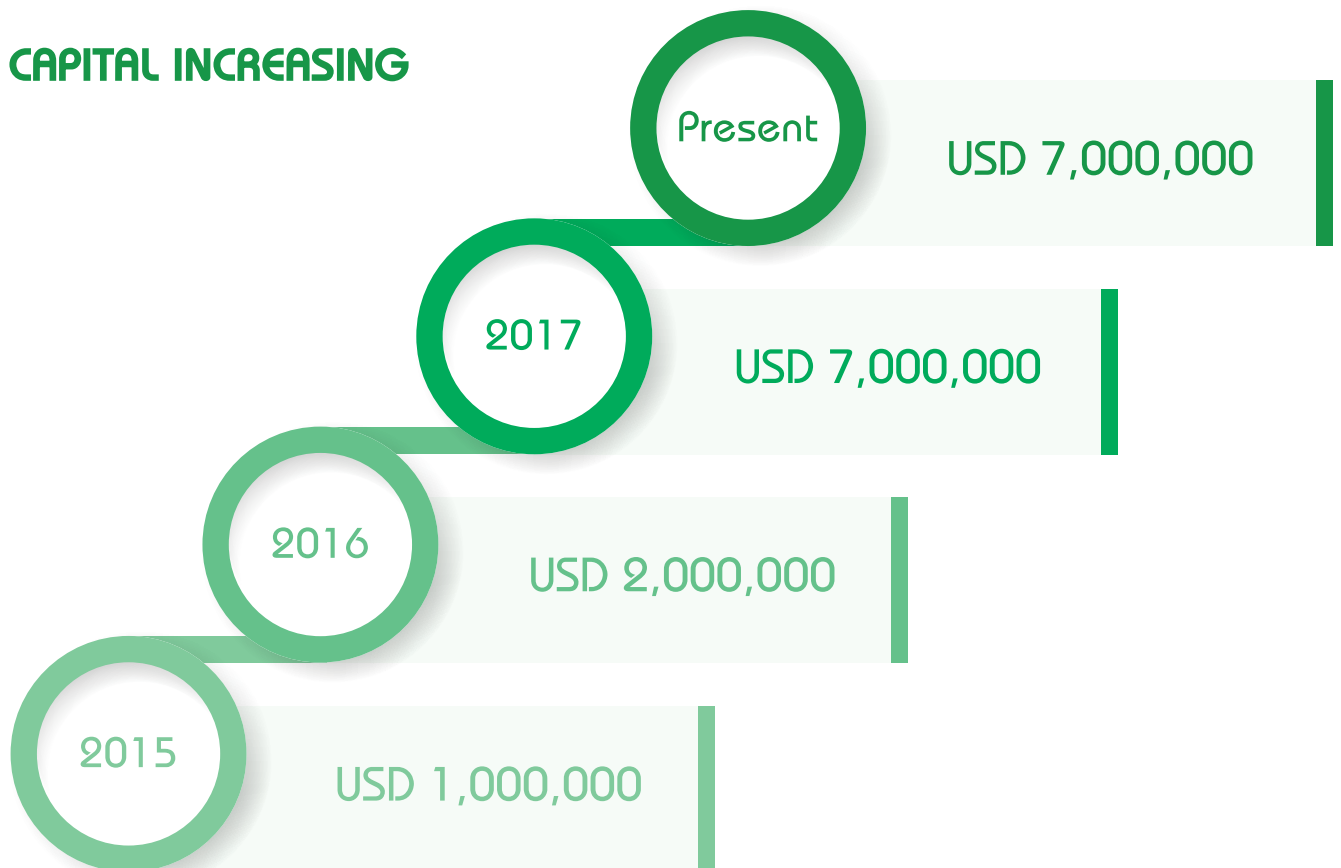
Meanwhile, since 2016, **AZUMA & Co.,Ltd.**, has become a shareholder of **FUTABA** Microfinance Plc. **AZUMA & Co.,Ltd.**, a Japanese Company, has parallel concept in supporting and improving living standard of Cambodian people, especially to contribute to developing new generations by providing highly 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 area customers. The 3 branches were approved the official business operation license from the National Bank of Cambodia.

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



CAPITAL INCREASING



Message from Chairman



Mr. CHREUK Phally, Chairman

In the last 2 years, we saw that Cambodia still maintained its Economic Growth almost 6.9% in the year 2017, which was a little bit, 0.1%, lower than 2016, and it is expected to be more and more prosperous in the following years depending mainly on the garment, construction, tourism, and banking sectors. Based on the Economic Growth perspective and potential strength of financial sector, we have been in business as financial institution since early 2016. As the favorable situation, **FUTABA** Microfinance Plc has achieved its ultimate outcome such as increasing numerous customers, loan portfolio, and especially we could maintain our portfolio at risk (PAR) with 0%. With those positive achievements, we all thank for the strong support from our respectful Customers.

As a Chairman, I am really appreciated to our achievement during the years, especially in 2017, complying with the Laws and Regulations of Cambodia, we would like to report our significant outcome as following:

- * Total Assets: **US\$ 12,054,635**
- * Total Loan Outstanding: **US\$ 10,697,668**
- * PAR (Portfolio at Risk): **ZERO**
- * Solvency Ratio: **54.09 %**
- * Total Active Borrowers: **628**
- * Four Branch Offices are operating according to plan set with operation area up to **09** provinces, **32** districts, **117** communes, and **274** villages.

We, **FUTABA** Microfinance Plc, will keep on long term providing best products and services to our respectful customers so that both Customers and **FUTABA** MFI would achieve the DREAM together.

Our Japanese shareholder eagerly contributes to development of the next future generations in the Kingdom of Cambodia and commits himself to injecting more and more fund to **FUTABA** Microfinance Plc, in the upcoming years.

All members of **FUTABA** Microfinance Plc., would like to declare of respect to customers with highest transparency and responsibility of our mission for customers and also for society.

Lastly, we hereby express our heartfelt gratitude once again towards our respectful customers as well as to all levels of Authorities including National Bank of Cambodia, who always kindly support our business activities till now and in future. We wish to congratulate all prosperity, happiness, and blessing to our customers and their family.



Mr. CHREUK Phally
Chairman

Message from 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 financial activities on December 16, 2015, as Micro-Financing Company in the Kingdom of Cambodia. As of 2017, we have just been operating our business around 2 years but our operation keeps growing and increasing rapidly from day by day by cooperation of all managements and staffs, especially the supporting from our customers on using **FUTABA**'s products and services. 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 shareholder 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.

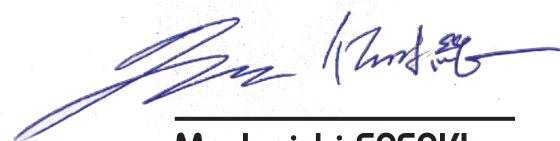
We, **FUTABA** Microfinance Plc., do provide various kind of financing services, such as **Business Loan, Housing Loan, Agriculture Loan, Staff loan, Consumption Loan, and Education Loan**, with very **LOW INTEREST RATE** and the best Customer Services. In 2018, **FUTABA** will develop a new product called "Employee Loan", which will target on employees who are currently working in companies or enterprises.

Going forward, we, **FUTABA** Microfinance Plc., are offering full range of Traditional and innovative Microfinance solutions to new and all existing customers through our Hi-tech services, On-line Loan requested by smart-phone.

We are looking forward to serving you all your materializations of your dreams, work together in order to reach our mutual goals, since your dream is our dreams, and your future is also our future.

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

May DREAMS COME TRUE to all our beloved Customers!



Mr. Junichi SASAKI
President, CEO



Business Information

Shareholder



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..



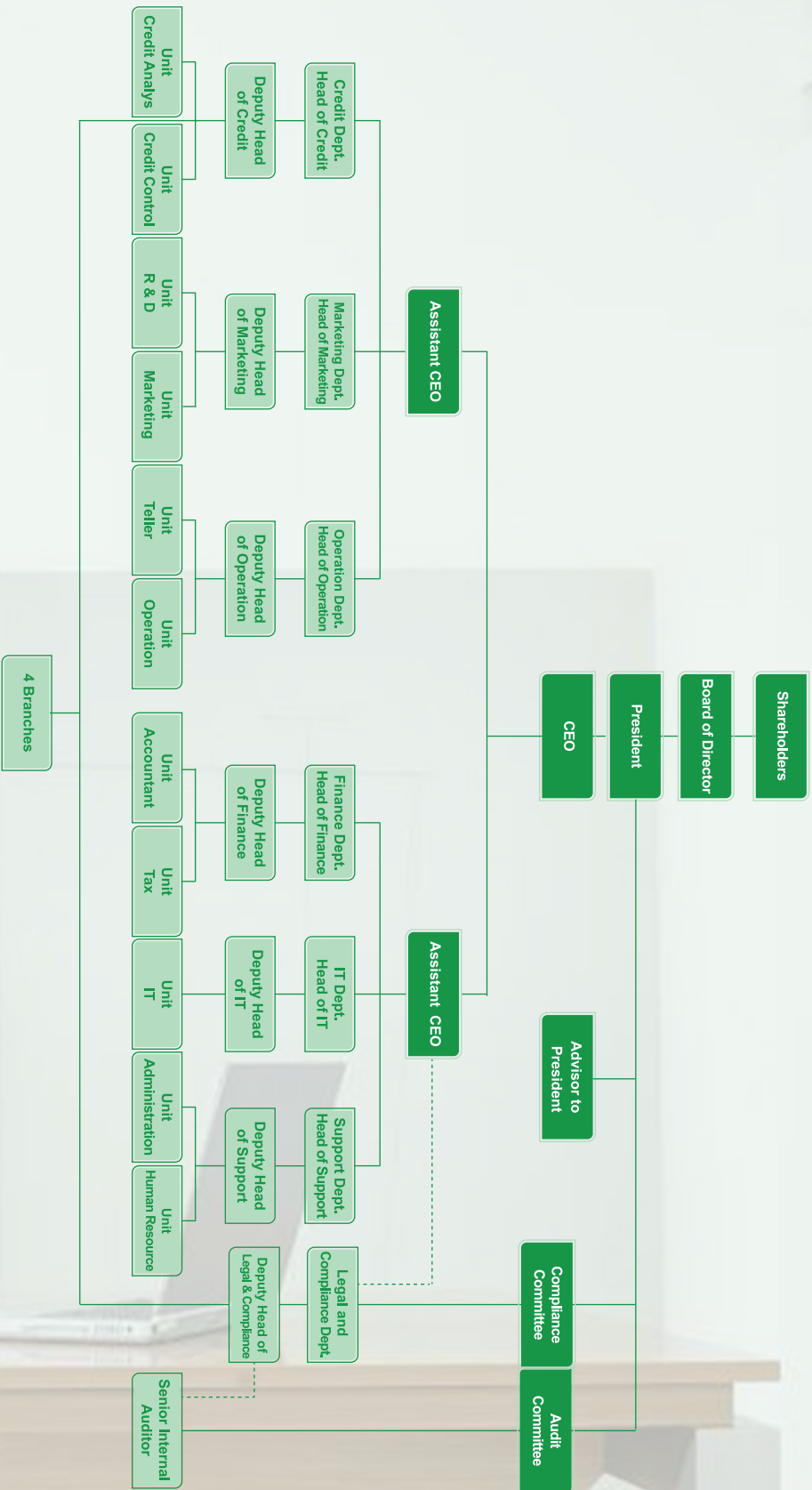
AZUMA & CO., LTD.



100% of Share



ORGANIZATION CHART



Board of Directors



Mr. CHREUK Phally, Chairman of Board of Director

Mr. CHREUK Phally, Cambodian, was born in 1981 in Phnom Penh. He was appointed to be Chairman of Board of Directors on 20th July, 2016. He has more than 15 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 to 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 to be a Chairman of **FUTABA** Microfinance Plc., since July, 2015.



Mr. Yosuke SASAKI
Board of Director

Mr. Yosuke SASAKI, Japanese, was born in 1983 in KANAGAWA. He was appointed to be a member of Board of Directors on 20th July, 2016. Mr. Yosuke SASAKI is the 100% shareholder of **FUTABA** Microfinance Plc, who owns and represents as President of **AZUMA & Co.,Ltd.** in Japan. **AZUMA & Co.,Ltd.** is the Japanese Company which has the parallel concept to support living standard to Cambodian people, especially to contribute to develop new generation by providing financial services with high quality, stability, and transparency of market trend.



Mr. Junichi SASAKI
Board of Director

Mr. Junichi SASAKI, Japanese, was born in 1949 in KANAGAWA. He was appointed to be a member of Board of Directors on 18th August, 2017. Mr. Junichi SASAKI graduated from Tokyo University in 1975, and he is currently active as President and 100% shareholder of FutureBud International Co., Ltd, Japan.

Executive Committee

Mr. Junichi SASAKI, Japanese, was born in 1949 in KANAGAWA. He was appointed to be a member of Board of Directors on 18th August, 2017. Mr. Junichi SASAKI graduated from Tokyo University in 1975, and he is currently active as President and 100% shareholder of FutureBud International Co., Ltd, Japan.



Mr. Junichi SASAKI, President, CEO



Ph.D CHAP Ratana, Advisor to President

Ph.D. CHAP RATANA started his career with **FUTABA** Microfinance Plc. as Local Financial Adviser in January 2015, then he was appointed to be Deputy Chief Executive Officer in late 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-years working experience as an Interpreter, Administrator, Project Manager and a Local Adviser with all corporate 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. Lastly, in January 2017, Mr. Ratana was promoted to be Advisor to President.



Mr. PREAP Kandoeng, Assistant CEO

Mr. PREAP Kandoeng earned Master Degree of Business specialize in Finance from Charles Sturt University, Australia, and Bachelor's Degree in Business Administration, specialize in Accounting at National University of Management (NUM). He has years of working experiences at all corporate levels, educational background and continuous professional development. Before joining **FUTABA** Microfinance'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 joined **FUTABA** Microfinance PLC., as Head of Finance Department in 2015. Then, Mr. Kandoeng was promoted as Assistant Chief Executive Officer, in charge mainly of difference types of departments including Finance Department, IT Department, and HR & Administration Department, starting from July 1st, 2016.



Mr. UM Piseth, Assistant CEO

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



Mr. HUOT Sokchea, Head of Operation Dept.

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



Mr. LIM Sombo, Head of HR & Admin Dept.

Mr. LIM Sombo was born in June, 1981. He joined **FUTABA** in November, 2015 as Head of Marketing Department. After working for 2 years, he has been appointed as Head of HR & Admin Department since November, 2017. He is responsible for managing, monitoring, and developing policies - procedures related to HR and Admin of **FUTABA**.

Prior starting the career with **FUTABA**, he had over 14-years work experience with two major banks including regional foreign bank and local bank, which were the largest of branch networks. With 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 with over 10 years as he mainly involved in front line sale. In 2008, he graduated Bachelor Degree from Build Bright University in the field 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 at Norton University in early 2016. Sarath, a former IT Manager in one among the largest commercial banks, was previously responsible for leading whole IT Department, which supported many banking services such as Core Banking System, Card System, and SWIFT System. Lastly, he has joined **FUTABA** Microfinance Plc. since January, 2016. Up to now, he got 10-years experience in banking sector and financial institution, while as 5 years he has been in management role.



Mr. PHON Sothea, Head of Credit Dept.

Mr. PHON Sothea has joined **FUTABA** as Head of Credit Department since July 1st, 2017. Before joining **FUTABA**, he worked as Head Operations Department in a medium-sized microfinance institution in Cambodia for seven years from 2010 to mid-2017. Between 2004 and 2010, Mr. Sothea worked for a medium microfinance with his first career as an assistant to Finance/Admin Department, then he was promoted step-by-step to be a great Branch Manager in that institution. MR. SOTHEA holds Master Degree in management development, graduated from Norton University (Cambodia) in 2011, and Bachelor Degree in Management Information System from National University of Management (Cambodia) in 2004. Mr. Sothea has had extremely practices and experiences over 14 years in various positions in Banking and Finance Sectors. Additionally, he attended various training and conference courses in local and international countries related to microfinance sectors, real estates, micro insurances, and other management law works.



Human Resources



Human Resource Management and Development

Human resource is a key driving force for sustainable development of the missions of **FUTABA** Microfinance Plc., with a brilliant success of shareholder dreams.

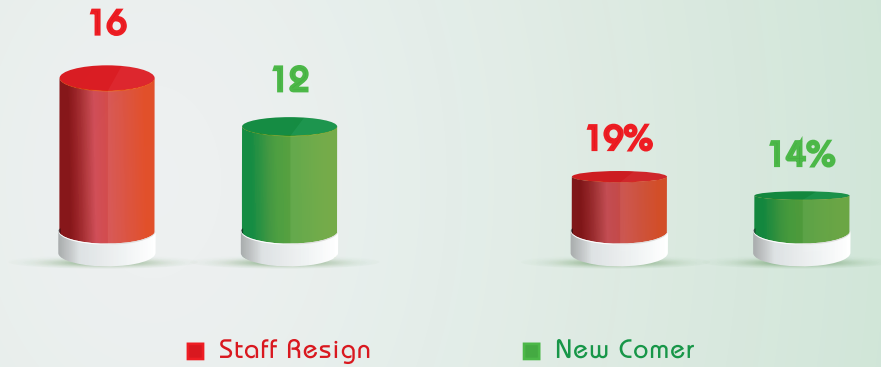
Along with the long-term strategic plans, **FUTABA** has focused on organizing human resources such as staff development, staff promotion and motivation based on actual achievement and ethical practices of each staff performance.

Currently, Human Resource management has been promoted and developed steadily by both selective internal and external training, staff performance evaluation, and staff utilization on the right job required by the plan of the organization.

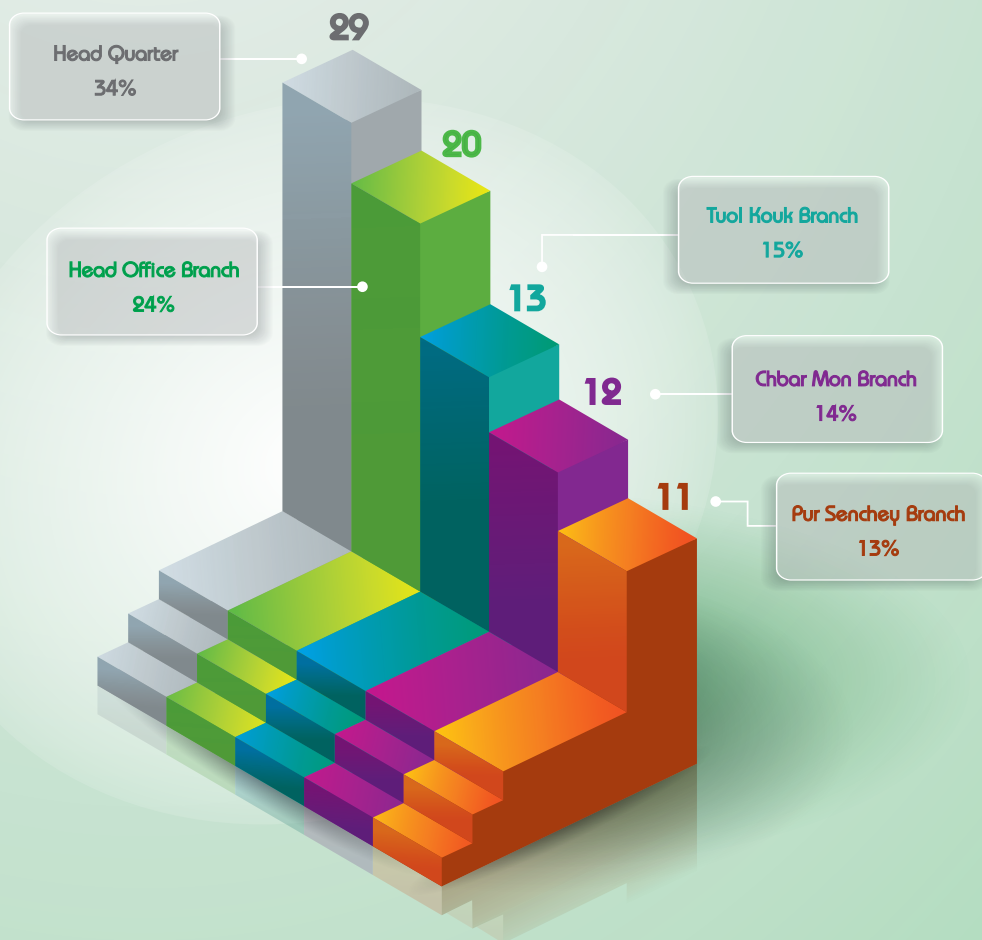
Staff Statistics

The total number of full-time employees in **FUTABA** was 85pax (male 52, female 33) based on the report as of December, 2017 as the following:

Staff Turnover



Full Time Employee Updated



Staff Training & Development

To keep on supporting the growing of daily operations as well as the high demand of financial service which needs to be provided to customers, and to expand the potential competitive market, **FUTABA** has focused mainly on improving staff knowledge, skill, and code of conduct in job responsibilities of all staff. Meanwhile, **FUTABA** has provided staff with ongoing training in each role, including internal and external training programs.

Internal Training:

In 2017, **FUTABA** conducted internal training, with a total of 5 times participated by all staff.



Internal Training Activities

Annual Workshop of FUTABA Microfinance Plc.

A new activity achievement of FUTABA at the end of 2017 was a really great Annual Workshop launched at Sihanouk Ville on 16-17 December, 2017, which was a part of staff motivation, and it was also the opportunity to show full year report to all staff the company's performance achieved within 2017 and the 5 years-strategic plan (2018-2022).



External Training

With staff development, **FUTABA** has sent skillful staff to attend external training courses.



External Workshop Attending

In the context of the ongoing growth of financial market, **FUTABA** has also actively contributed and strengthened the potential financial sector in Cambodia to be sustainable in the further. Thus, **FUTABA's** managements have frequently participated in Cambodia financial sector's seminars and workshops.





Futaba's Products

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 to generate profit.



Currency : USD



Loan Size : 500 - 200,000



Loan Term Up To : 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 Up To : 10 years



Consumption Loan



Target Customer :
To all customers who need financial service to buy equipments for personal use.



Currency : USD



Loan Size : 500 - 200,000



Loan Term Up To : 10 years



Agriculture Loan



Target Customer :
To all customers who have purpose to expand agriculture sectors.



Currency : USD



Loan Size : 500 - 200,000



Loan Term Up To : 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 Up To : 1 year



Staff Loan



Target Customer :

To all **FUTABA's** staff who need financial service to support their living standard.



Currency : USD



Loan Size : 24 times or 48 times of basic salary



Loan Term Up To : 15 years



Futaba's Performances

Operation Highlight

Description

31 December, 2017

Distribution Networks	4
Total Staff	85
Total Credit Officers	19
Operating Provinces	9
Operating Districts	32
Operating Communes	117
Operating Villages	274
Total Active Borrowers	628
Total Loan Outstanding (in USD)	10,697,668
Portfolio at Risk (PAR%)	0.00%
Total Loan Outstanding Per Credit Officer (in USD)	563,035
Total Loan Outstanding Per Staff (in USD)	125,855
Average Loan Size (in USD)	17,035
Total Asset (in USD)	12,054,635

Financial Highlight

Balance Sheet

31 December, 2017
(Audited), (in USD)

Assets

Cash and Cash Bank	845,471
Loan Receivable (Net)	10,697,668
Property and Equipment (Net)	323,653
Other Assests	187,843
Total Assests	12,054,635

Liabilities

Other Liabilities and Provision	1,138,692
Long and Short Term Borrowings	4,379,782
Total Liabillties	5,518,474

Equity

Shareholder Equity	6,536,161
Total Liability and Equity	12,054,635

Income and Expense

31 December, 2017
(Audited), (in USD)

Interests and Fee Income	1,276,170
Operating Expenses	1,141,652
Profit After Tax	134,518





Risk Management & Internal Control

Compliance Management

Compliance management has continued to strengthen **FUTABA's** internal policy focused on regulation compliances with NBC licensing and the registration with various ministries and state institutions to ensure that **FUTABA's** business expansion and its operation are fully complied with Cambodia's laws, rules and regulations in banking and microfinance sectors.

Members of Board of Directors have decided to establish Legal and Compliance Department, which is responsible and taking in charge by Deputy Head of Legal and Compliance to ensure that **FUTABA's** risk and compliance management are adequately under controlled and complied with rules and regulations, by overseeing the internal management to identify, assess, and manage internal and external risks which may threaten and affect **FUTABA's** operation. Moreover, the person in charge of legal and Compliance Department is also responsible for

monitoring the internal policies, procedures related to compliance including testing and checking the functionality, efficiency and adherence of established policies, and liaising closely with internal and external functions in matters of compliance and managing compliance risks guidelines whether they are all complied with laws and regulations.

Deputy Head of Legal and Compliance will propose quarterly meeting regularly to discuss compliant reports with all departments or managements and review the adequacy and completeness of the compliance risk analysis. Any significant compliance risks are to be highlighted and reported to the Board of Directors.

Internal Control

Internal Audit site was established in July 2017, taking in charge by a Senior Internal Audit Officer, who is responsible for conducting the audit tasks and all operating activities within FUTABA Microfinance Plc., as well as audit plan, updating audit program and training staff to improve the quality of audit. Internal Audit site has to inspect all activities of all FUTABA's operations, and independently and directly report to the Boards.

Audit plan and audit program have to be seen and approved by the Chairman of Board of Director. The mission of Internal Audit is to ensure the effectiveness and efficiency of internal audit tasks, internal control, adequacy of reporting, and compliance with policies, procedures, guidelines, laws and regulations. To effectively implement and follow the Internal Audit program and audit plans, the senior internal audit officer has to focus on systems which would enable the Senior Internal Audit Officer on strategic issues (development of audit program and plan, continuous improvement of the audit manual, advisory to management on internal control, etc.).



Audited Financial Reports

Directors' Report

The Directors hereby submit their report and the audited financial statements of Futaba Microfinance PLC ("the Institution") for the financial year ended 31 December 2017.

Principal activity

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

Results of Operations

	Year ended 31 December 2017		Year ended 31 December 2016
	US\$	KHA'000	US\$
Profit / loss for the financial year	<u>134,518</u>	<u>543,049</u>	<u>(516,882)</u>

Dividends

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

Reserves and Provisions

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

Bad and Doubtful Loans

Before the income statement and balance sheet were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans and satisfied themselves that there were no known bad loans and that adequate allowance had been made for doubtful loans.

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

Current Assets

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

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

Valuation Methods

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

Contingent and Other Liabilities

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

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

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

Change of Circumstances

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

Items of an Unusual Nature

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

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

Share Capital

The Institution's capital as at 31 December 2017 was US\$7,000,000 by way of issuance of 7,000 ordinary shares of US\$1,000 per share

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

Directors

The Directors who have held for office are:

• Mr. Chreuk Phally	Chairman
• Mr. Yosuke SASAKI	Director
• Mr. Junichi SASAKI	Director

Directors' Benefits

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

Since the end of previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Institution or a related

corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' Responsibility in Respect of the Financial Statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Institution as at 31 December 2017, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

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

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

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 7 to 39 have been drawn up in accordance with Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Institution as at 31 December 2017, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board,



Mr. Chreuk Phally

Chairman

Phnom Penh, Cambodia Date: 16 February 2018

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders

FUTABA Microfinance Plc.

Opinion

We have audited the financial statements Futaba Microfinance Plc (“the Institution”), which comprise the balance sheet as at 31 December 2017, the income statement, statement of changes in equity and statement of cash flows for the year ended and notes, comprising significant accounting policies and other explanatory information as set out on pages 7 to 39.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institution as at 31 December 2017, and its financial performance and its cash flows in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISA”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institution 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

The financial statements of the Institution as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2017.

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, 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 Institution'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 Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institution'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 CISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISA, 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 Institution'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 Institution'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 Institution 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.

HRDP and Associates Co., Ltd



Peou Dara

Partner

Phnom Penh, Kingdom of Cambodia Date: 16 February 2018

Balance Sheet

As at 31 December 2017

	Note	As at 31 December 2017		As at 31 December 2016
		US\$	KHR'000	US\$
ASSETS				
Cash on hand	7	8,589	34,674	12,563
Deposits and placements with the National Bank of Cambodia	8	351,282	1,418,125	359,832
Deposits and placements with banks	9	485,600	1,960,367	204,184
Loans to customers	10	10,697,668	43,186,486	6,347,241
Other assets	11	179,593	725,017	156,347
Property, plant and equipment	12	323,653	1,306,587	461,239
Intangible assets	13	8,250	33,305	17,417
TOTAL ASSETS		12,054,635	48,664,561	7,558,823
LIABILITIES AND EQUITY				
LIABILITIES				
Other liabilities	14	237,666	959,461	148,128
Current income tax liability	22	1,026	4,142	731
Borrowings	15	4,379,782	17,681,180	708,321
Advances from a shareholder	16	900,000	3,633,300	300,000
TOTAL LIABILITIES		5,518,474	22,278,083	1,157,180
EQUITY				
Share capital	17	7,000,000	28,259,000	7,000,000
Retained earnings		(463,839)	(1,872,522)	(598,357)
TOTAL EQUITY		6,536,161	26,386,478	6,401,643
TOTAL LIABILITIES AND EQUITY		12,054,635	48,664,561	7,558,823

Income Statement

For the Financial Year Ended 31 December 2017

		Year ended 31 December 2017		Year ended 31 December 2016
		US\$	KHR'000	US\$
Interest income	18	1,182,215	4,772,602	369,173
Interest expenses	19	(41,165)	(166,183)	(12,387)
Net interest income		1,141,050	4,606,419	356,786
Other operating income	20	93,767	378,537	10,644
General and administrative expenses	21	(1,087,544)	(4,390,415)	(880,513)
Allowance for bad and doubtful loans	10	-	-	-
Profit/(Loss) before tax		147,273	594,541	(513,083)
Income tax expense	22	(12,755)	(51,492)	(3,799)
Profit/(Loss) for the financial year		134,518	543,049	(516,882)

Statement of Changes in Equity

For the Financial Year Ended 31 December 2017

	Share capital US\$	Retained earnings US\$	Total US\$
Balance as at 01 January 2016	1,000,000	(81,475)	918,525
Issuance of share capital	6,000,000	-	6,000,000
Profit/(Loss) for the financial year	-	(516,882)	(516,882)
Balance as at 31 December 2016	7,000,000	(598,357)	6,401,643
Balance as at 01 January 2017	7,000,000	(598,357)	6,401,643
Profit/(Loss) for the financial year	-	134,518	134,518
Balance as at 31 December 2017	7,000,000	(463,839)	6,536,161
(KHR'000 equivalent)	28,259,000	(1,872,522)	26,386,478

Statement of Cash flows

for the financial Year Ended 31 December 2017

	Note	Year ended 31 December 2017		Year ended 31 December 2016
		US\$	KHR'000	US\$
Cash flows from operating activities				
Profit/(Loss) before tax Adjustments for :		147,273	594,541	(513,083)
Loss on asset written-off	12	102	412	-
Allowance for doubtful loans	10	-	-	-
Amortisation of intangible asset	13	9,167	37,007	10,983
Depreciation of property, plant and equipment	12	149,970	605,429	127,431
Operating profit before working capital changes		306,512	1,237,389	(374,669)
Changes in working capital				
Loans to customers		(4,350,427)	(17,562,674)	(6,347,241)
Other assets		(23,246)	(93,844)	(66,347)
Other liabilities		89,538	361,465	141,264
Cash used in operations		(3,977,623)	(16,057,664)	(6,646,993)
Placement of statutory deposit		-	-	-
Income tax paid		(12,460)	(50,301)	(3,068)
Net cash used in operating activities		(3,990,083)	(16,107,965)	(6,650,061)
Cash flows from investing activities				
Purchase of property, plant and equipment	12	(12,486)	(50,406)	(390,737)
Purchases of intangible assets	13	-	-	(28,037)
Capital guarantee deposit		-	-	(300,000)
Net cash from/(used in) investing activities		(12,486)	(50,406)	(718,774)
Cash flows from financing activities				
Advances from a shareholders		600,000	2,422,200	300,000
Borrowing from shareholders		3,671,461	14,821,687	708,321
Capital Injection		-	-	6,000,000
Net cash from financing activities		4,271,461	17,243,887	7,008,321
Net increase in cash and cash equivalents		268,892	1,085,516	(360,514)
Cash and cash equivalents at beginning of financial year		226,579	914,700	587,093
Cash and cash equivalents at end of financial year		495,471	2,000,216	226,579
Cash and cash equivalents comprise the following				
Cash on hand	7	8,589	34,674	12,563
Balances with National Bank of Cambodia (excluding statutory deposit)	8	1,282	5,175	9,832
Balances with other banks	9	485,600	1,960,367	204,184
		495,471	2,000,216	226,579



Futaba's Events



Annual Workshop 2017

FUTABA Microfinance Plc., organized an Annual Workshop 2017 and Strategic Plan 2018-2022, on 16-17 December, 2017 at Sihanouk Ville, attended by all FUTABA staff. The main purpose of the event was to show the achievement within 2017 as well as the history of establishment of FUTABA, and to thank to all FUTABA staff family for their great effort and commitment on work during the year.

Ph.D Ratana Chap, Advisor to CEO, stated that he was delighted to see that FUTABA had progressively grown including the growth rate of employee, the business operational area expansion, and the creativeness of

products and services in accordance with the mission and vision, which was to be the leading financial institution in Cambodia to help improve the living standard of the current and new generation as well as to provide the honest financial service truth to small and medium size of industries and individuals with sustainable market to help contribute social activities.

Mr. Kandoeng Preap, Assistant CEO, presented all staff with general information of FUTABA Microfinance Plc., such as Organizational Chart, financial healthy, and future strategic plan. Moreover, he shared his knowledge and experiences making FUTABA growing with

good achievement as present. Meanwhile, he suggested and hoped that all **FUTABA** staff would work hard with strong commitment in order to bring **FUTABA** to further success and growing bigger and bigger in the future.

In addition, Mr. Piseth Um, Assistant CEO, summarized the outcome of the business achievement within 2017 and the 5 years-strategic plan for 2018-2022. As of November 30, 2017 there were 86 employees, female 33 and male 53, working in Head Quarter and other 4 branch offices "province-city" included Head Office branch, Tuol Kouk branch, Pur Senchey branch, and Chbar Mon branch. Given a performance report, there were 595 active clients with loan portfolio

USD 10,034,314, and Portfolio at Risk (PAR) 0%, under controlled by 19 Credit Officers. That figure showed the positive trend of progressing operation of **FUTABA** from year to year. He also stated that **FUTABA** would be developed with good products and services for valuable clients in the near future, i.e. both clients and **FUTABA** had the same dream "Dreams come true!"

In the auspicious occasion of the workshop, the workshop committee also prepared special programs such as top branch achievement award handling, Letter of praise to Credit Officer and long serving staff, staff promotion, lucky draw, and the solidarity with **FUTABA** staff family.







Futaba's Clients

Client Histories



Mr. Mao Meng

Mr. Mao Meng, a 45 years old farmer, and his wife, a factory worker, are the clients of **FUTABA** Microfinance Plc., who are living in Reung Peung Village, Skuh Commune, Samraong Tong District, Kampong Speu Province. Having seen the opportunity to earn more profit, they decided to use another Agriculture loan of **FUTABA** to buy a Tractor for farming and plowing for their villagers. Moreover, they raise cows, chickens, ducks, and work on the farm in order to support their daily living. Mr. Meng said "Because **FUTABA** has given me loans, I can earn more income and improve my family living standard as better as recently. One more thing, I would like to thank to **FUTABA** for being a great partner of financial service for my family and I wish that **FUTABA** would be more successful and growing forever".



Mr. Din Seangly

Mr. Din Seangly and his wife Mrs. Em Sokim are Tailor living in Trapeang Thloeng Village, Sangkat Chaom Chau, Khan Pur Senchey, Phnom Penh. Recently, they have employed 5 tailors in their tailoring business. Mr. Seangly and his wife want to further expand the existing business with comfortable accommodation for staff to stay. Thus, they have decided to use Housing Loan from FUTABA. "I am really glad to be living in this new house, and I would like to thank to FUTABA that helps support my dream come true. Especially, I am so happy to have a conformable place for my staff working," said Seangly.



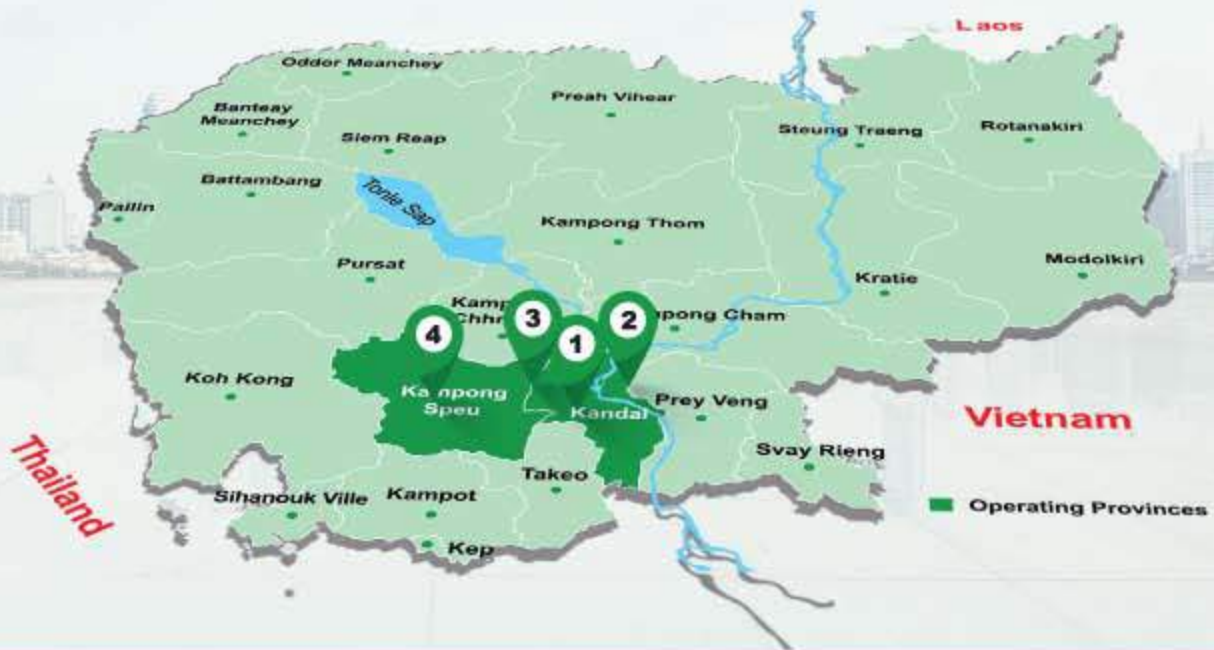
Mrs. Seng Chanvesna

Mrs. Seng Chanveasna, one of FUTABA's clients, who lives in #144, Group 12, Sambuor Village, Sangkat Dangkao, Khan Dangkao, Phnom Penh, has been using FUTABA's product, Business Loan, for nearly a year. By seeing the current need and constant developing construction sector like household, apartment, and condominium, she decided to expand her business by importing new modern of stylistic materials to fulfill the customer need. Mrs. Seng Chanveasna said "I am very thankful to FUTABA that provides me a greatest financial solution service for my family, and I wish that FUTABA would be more and more successful with rapid growing".



Futaba's Networks

Operational Areas



Head Office Branch

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



Pur Senchey Branch

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



Tuol Kouk Branch

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



Chbar Mon Branch

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

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Futaba's Partners

Partners





070 312 333

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

Tel: (855) 23 224 333, Fax: (855) 23 222 131

E-mail : Info@futabamfi.com.kh, Website : www.futabamfi.com.kh, Facebook : Futaba Microfinance Plc.