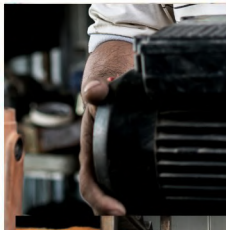




របាយការណ៍ប្រចាំឆ្នាំ
Annual Report
2016





Annual Report 2016

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VISION

Become a reliable microfinance institution which provides Cambodian people with opportunities to improve their livelihoods through accessing the loans from **CAMMA MICROFINANCE LIMITED**.

MISSION

Our mission is to efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are farmers, handicrafts and business persons and to ensure great benefits for shareholders, staff and the society as a whole.



In 2008, Camma Microfinance Limited was initiated and established by two founders, Mrs Ou San and Mrs Dith Nita while at the time Camma was a private credit operator which provided loan service to Cambodian people in Phnom Penh City and Kandal Province.

The needs for loan to expand its business and improve the living standard of people have increased from year to year. Clients, who have received loans, have a better living standard and continuously to develop. In order to respond to the growth in the demand for loan of clients as well as to help to reduce the level of poverty, it is important that Camma needs to expand the scope of its operation, be more reliable and strengthen the quality of its operation.

The above factors have urged both founders to transform Camma from private credit operator to Camma Microfinance Limited, which is registered with Ministry of Commerce under the license number Co.0700 KH/2010 on 31st of March 2010 with the registered capital of USD 200,000.

On 29th of July 2010, Camma officially received license from National Bank of Cambodia as a microfinance institution that could formally provide loan to clients. Camma has started their formal operation since the date it received license from National Bank of Cambodia. Camma has established itself to be a microfinance institution that has good corporate governance, proper working standard system and a clear client protection principle.

As of December 2016, through its network of 3 branches and 79 staff, Camma serves more than 1,100 clients with loan portfolio of USD 7,430,686 and registered capital of USD 2,103,000 in 2015. Going forward, Camma will continue its expansion in rural and urban areas, developing new and innovative financial products and services for its clients. With experienced management team, strong corporate governance and social commitment, Camma is ready with well positioned to further expand the network operation and its influence throughout the country.



MESSAGE FROM BOARD OF DIRECTORS



Firstly, I would like to mention a little bit about overall situation and trends of development in Cambodia. In the present, Cambodia is a free market economy, which is an economy opens to competition from within and outside the country. This economic policy has rapid progress over the past two decades. Refer to Asian Development Bank Report (ADB, 2017), it indicates that Cambodia's economy grew 7.3% in 2012, 7.4% in 2013, 7.1% in 2014 and 7.0% in both 2015 and 2016. In 2017 – 2018, the economic forecast for Cambodia is 7.1% and also is the highest rate in 2nd position if comparing to ASEAN countries.

To compare with ASEAN countries, the inflation of this year and the coming year are predicted to be 3.4% and 3.5% respectively, and Cambodia's poverty is reduced so fast. Referring to Cambodia Socioeconomic Survey, it was reported that the poverty rate went down from 47.8% (2007) to 18.9% (2012). As of 2017, this rate was about 13% only.

The needs on financial services of Camma that Camma participated, reduced the poverty, and developed the Cambodia's economy, we are proud of all of our management and staffs. On behalf of the Board of Directors of Camma, I am very much appreciated for all staff at all level for your extreme efforts in the best serve to clients that made Camma achieved satisfactorily.

This key accomplishments are indicated about Camma's growth, especially is a good cooperation with all staff. To provide a wide variety of qualitative microfinance service to Cambodian people is prioritized. Accordingly, all staff at all level is necessary to increase the productive to ensure the overall benefits.

Based on annual strategic plan of Camma for 2017, we expect that loan portfolio will be increased to USD 10,493,466.00 with 1,682 clients for all operational provinces as following:

- **HO Branch:** is planning to achieve loan portfolio USD 6,200,033 with 927 clients and loan portfolio at risk 1.63%.
- **AngkSnoul Branch:** is planning to achieve loan portfolio USD 1,719,412 with 310 clients and loan portfolio at risk 0.55%.
- **Takhmao Branch:** is planning to achieve loan portfolio USD 2,574,022 with 445 clients and loan portfolio at risk 2.0%.



MESSAGE FROM BOARD OF DIRECTORS (CON'T)

Through positive vision of Cambodia's economy, we are very hopeful that we will achieve our plan for 2017.

Last of all, I, on behalf of Board of Directors of Camma Microfinance Limited, would like to express my profound gratitude to the Royal Government of Cambodia, National Bank of Cambodia, Ministry of Commerce, Ministry of Economic and Finance, shareholders, clients and the public for your meaningful supports and sincere confidences in our service and employees' professionalism. We wish you and family happiness and success in a quality and efficient profession and business.

Chairman

Mr. Thun Vathana



MESSAGE FROM CEO

In despite of being strong competition in the micro-finance market including commercial bank and specialized bank in Cambodia, Camma still maintain a good market share and gain trust from its client.

We will enhance our partnership, credibility, reliability and provide faster service, maintaining good relations and good working ethic with our clients. We will also strengthen our human resource management policies and procedures and continue to train and develop knowledge to staff at all level to become outstanding staff, managers and leaders with an incentive for individual staff as well as the whole team.

2016 is a significant year that Camma Microfinance makes progress and develops to reflect to the growth of the operations. Please let me to present the overall performance plan for 2017 including our gratitude to our staff and partners.

As of December 2016, Camma is providing service to approximately 1,154 clients in our two branches. The first branch is the operation unit located in Phnom Penh and the second branch established in 2016, which located in Angksnoul Commune in Kandal province. In addition to Camma has launched a loan payment services under the partnership with Wing (Cambodia) Limited Specialized Bank in all our branches after the successful testing period. This service is becoming a better choice that makes it easy for client to repay their loan to Camma national wide with all Wing Agents. Furthermore, it helps to minimize the cost of time, energy and money as well as risk associated with the travelling to Camma's Branches and back to home or business of our clients and Camma's credit agents.

Along with this progress, Camma is strengthening and improving the management structure and develop the core banking system in which it is expected to complete and implement in 2017.

As a result, despite strong competition in the microfinance market including commercial bank and specialized bank in Cambodia, Camma still maintain a good market share and gain trust from its client. In 2016, Loan outstanding of Camma grew approximately 25.32% from 23,959 million Riel (equal to USD 5,929,114) to 29,814million Riel (equal to USD 7,430,686) compared to 2015. Number of clients increased about 14.4% from 1,000 clients (2015) to 1,154 clients (2016) with the portfolio at risk of 1.96%. Interest Income increased from USD 873,382 in 2015 to USD 1,354,914 in 2016, which was increased about 22.35%.



MESSAGE FROM CEO (CON'T)

Furthermore, Camma has received a technical assistance on the risk management technical from ADA Microfinance organization in France who appointed Mr. Gilles Angély to help identify the strength and weakness of Camma in risk management. Gilles also helped to organize Risk Management Graduation Model that allows Camma to identify risk, manage and minimize risk in the accepted level.

In 2016, Camma has been recognized as the top 12 outstanding enterprises with awards by Cambodian Young Entrepreneur Association (CYEA) and Junior Chamber International (JCI-Cambodia). This success derives from hardworking, commitment and teamwork of staff at all level.

In 2017, management of Camma Microfinance expects that we will receive better result than 2016. We will continue to expand our operational provinces through the establishment of branches to be more close to clients. We will enhance our partnership, credibility, reliability and provide faster service, maintaining good relations and good working ethic with our clients. We will also strengthen our human resource management policies and procedures and continue to train and develop knowledge to staff at all level to become outstanding staff, managers and leaders with an incentive for individual staff as well as the whole team.

Finally, on behalf of management of Camma, I would like to deeply thanks to clients, shareholders, board of directors, suppliers, partners, authorities, government body at all level, especially National Bank of Cambodia, Ministry of Commerce, Ministry of Economic and Finance and Cambodia Microfinance Association who are always confident and well cooperated. I also would like to thank to all staff and management who always commit to work with all their responsibility, professionally and honestly, which make Camma success and progress for the future.

Chief Executive Officer

Mrs Dith Nita



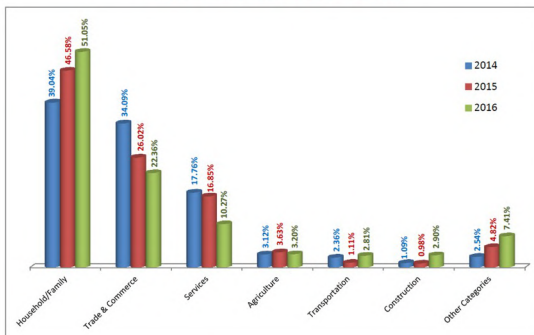
HIGHLIGHTS ABOUT KEY ACHIEVEMENTS

Operational Highlight	2014	2015	2016	%Changed
Total Staff	38	54	79	46.30%
Number of Credit officers	16	29	38	31.03%
Number of Village	213	287	361	25.78%
Number of Active Borrowers	910	1,000	1,154	15.40%
Loan Outstanding	4,736,462	5,929,114	7,430,686	25.33%
Individual Loan Outstanding	4,655,529	5,843,466	7,331,588	25.47%
Motor Loan Outstanding	1,784	-	-	0.00%
Staff Loan Outstanding	79,149	85,648	99,098	15.70%
Financial Highlight				
Assets	5,059,367	6,552,833	7,784,786	18.80%
Liabilities	3,773,583	4,101,215	5,181,894	26.35%
Shareholder Equity	1,285,784	2,451,618	2,602,892	6.17%
Share Capital	1,053,000	2,103,000	2,103,000	0.00%
Retained earning	232,784	348,618	499,892	43.39%
Interest Income	873,382	1,107,366	1,354,914	22.35%
Interest Expense	(281,688)	(358,967)	(392,032)	9.21%
Net interest income	591,694	748,399	962,882	28.66%
Provision for bad and doubtful Loan	(20,506)	(28,612)	(47,021)	64.34%
Net interest income after provision for bad and doubtful loan	571,188	719,787	915,861	27.24%
Other None Interest Income	56,595	76,760	92,697	20.76%
Personal Expense	(171,816)	(217,304)	(365,633)	68.26%
Operating and Other Expense	(142,368)	(157,767)	(222,069)	40.76%
Depreciation Expense	(23,541)	(24,662)	(38,586)	56.46%
Profit before Income Tax	290,058	396,814	382,270	(3.67%)
Income tax expense	58,012	80,980	(70,996)	(12.33%)
Profit for the year	232,046	315,834	311,274	(1.44%)
Return on Asset	4.59%	4.82%	4.00%	(0.82%)
Return on Equity	18.05%	12.88%	11.96%	(0.92%)
Portfolio at Risk	1.08%	1.00%	1.96%	0.96%
Operational Self Sufficiency	92.55%	99.63%	77.09%	(22.53%)

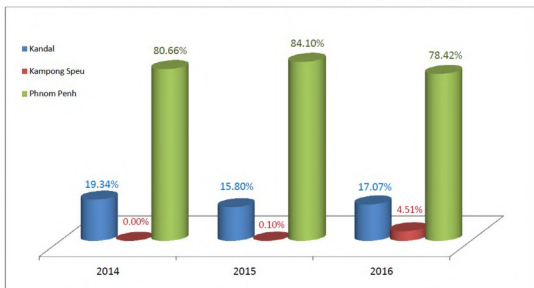


HIGHLIGHTS ABOUT KEY ACHIEVEMENTS (CON'T)

Number of Clients by Type of Business



Number of Clients in Phnom Penh, Kandal & Kampong Speu



OUR SUCCESSFUL PARTNERS

Through vision and mission of Camma, we provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are farmers, handicrafts and business persons and to ensure great benefits. Below are our successful clients who received financial service from Camma to support and push their business growing forward:



Mrs Men Maradeth, aged 54 years old and her son's name is Men Sokhantey who is the owner of restaurant and coffee, which is located in PreySamroung village, Sangkat Takhmao, Krong Takhmao, Kandal province. Mrs Maradeth mentioned that "I selected Camma's service because credit agents have good communications and ethic with respectful and come to reach home and easily provide loan. Most of Camma's staff is valued to loaner like me".

She starts her restaurant since 2016 but it was not more profit for over 10 years as expected. Mrs Deth continuously said that, "by introducing from my sister, I borrowed the loan from Camma USD 10,000 in 2016 for buying equipment and add more foods, drinks, decoration and expanding the business to serve their clients. Now, there is four staff working for my restaurant and our income is better than previous one for needs and could help our family live together without making business far away from each other.

She mentioned with her smiling face that "I thank Camma so much for providing loan to me and I am very happy because this loan helps my business and changes my family life as well. With the business growth, I have a plan to get larger amount of loan after I saved enough to pay off the current one so that I could expand our business bigger and bigger".

OUR SUCCESSFUL PARTNERS (CON'T)



Ms. Chea Bunchan

Ms. Chea Bunchan, 23, who is one of clients as Beauty Shop, which is located in SreReachhas Sangkat Samroungkrom Khan Porsenchey, Phnom Penh. Ms. Bunchan said that “I start this career since 2013 but each product and equipment don't response to my clients' needs. As a solution from my neighbour who is Camma's client, Bunchan decided to get first loan service from Camma

with amount USD 9,000 in purpose to decorate the shop and purchase more products”. She has extensive experience with clever in using this loan efficiently and matching her goal by strongly supporting from her family.

Since beginning of using loan from Camma, she has good chance in enlarging her business bigger than previous years and has more different kinds of products for serving her clients' needs with her capacity and experience so that she develops her business better. In the present, her business including products and services has strong supports from her clients.

“I would like to thank to Camma that always takes care of me and provide a higher reliable and faster service to clients as me and support through providing the loan for expending business and increasing my family's income. I wish Camma to get successful achievements in Microfinance sectors”.



OUR SUCCESSFUL PARTNERS (CON'T)



Mrs. Sok Sopheap, 35, is a model client of Camma. She is currently located in Krang village, Sangkat Trapiang Krasang, Khan Porsenchey, Phnom Penh and owner of duck farm as well. She has more than 11 years in this career. Sopheap expressed that, "I decided to use the loan service from Camma for extending her duck farm. Utilizing loan from Camma, I achieved better results as of one year". She observed that her living conditions get better and income increased as well. Sopheap has felt hopefully that her family, especially her children will be prosperous in the future.

Sopheap mentioned that, "CAMMA is the best solution for my business. Not just affordable interest rate, but it also has flexible payment methods, which can accommodate well to my financial condition seasonally. Now I am worry-free about daily support for my family. Furthermore, I can also save more to extend my business bigger in the future and I am very happy with this results. I will use the loan in coming year for fitting up the market's needs and add up capital for business including buying more and more ducks from year to year as my plan".

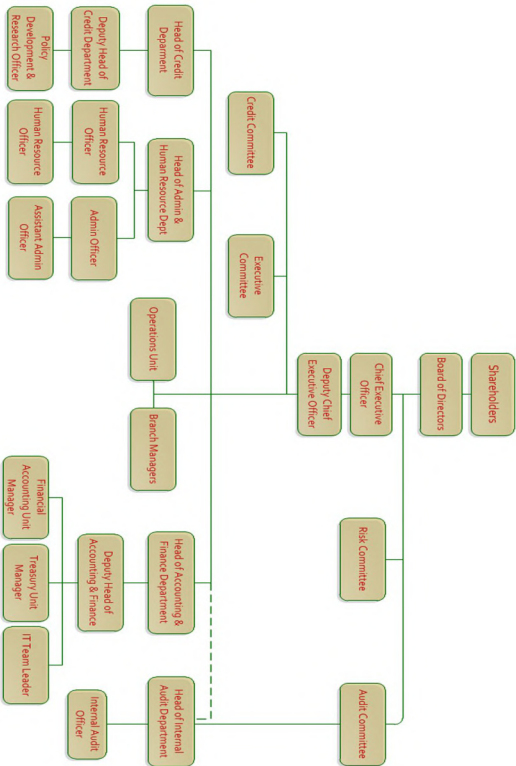


OPERATIONAL PERFORMANCE



Main Operational Indicators	2013	2014	2015	2016
The capital and provinces under the operations	02	02	02	03
Municipals and districts/Khan under the operations	16	19	19	22
Sangkats and districts under the operation	88	80	98	120
Villages under the operations	197	213	287	361
Total branches	01	01	01	02
Toal employees	33	35	54	79
Total credit officers	15	16	29	38

ORGANIZATIONAL CHART



EXECUTIVE COMMITTEE



MRS. DITH NITA
CHIEF EXECUTIVE OFFICER

She graduated in her Bachelor degree of Commerce in 2003 and in Master degree of Financial Management in 2005 in Australia National University. She has experience in business management and credit management more than 10 years. Prior to the establishment of Camma Microfinance Limited, she was a managing director of Construction Company and Credit Operator.

Mrs Dith Nita is a founder and Chief Executive Officer of Camma Microfinance Limited.



MR. KHOV MAKARARATH
DEPUTY CHIEF EXECUTIVE OFFICER
IN CHARGE OF OPERATIONS & FINANCE

Mr Khov Makararath graduated in Bachelor of Business from Victoria University in 2010. He is currently enrolled in Graduate Diploma of Chartered Accountants Australia and Master of Management at Monash University. He was a founder and Managing Director of A2Z Business Pty Ltd, which established on 17th July 2011.

He joint Camma MFI as the Deputy Chief Executive Officer in charge of Operations and Finance.



EXECUTIVE COMMITTEE (CON'T)



MR. TITH VANNARITH
HEAD
ACCOUNTING AND FINANCE DEPT.

Mr. Tith Vannarith was born in 11th January 1977. He graduated in Master degree of Finance at National University of Management in 2008 and he also has IT Skills on Programing VB6, VB.Net and Sql Server Database Management. He has seventeen years of experiences in retail banking specialized in accounting finance and Information Technology. At the meantime, he had worked for Acleda Bank Plc more than 13 years on various positions such as accountant, AVP & Manager of Cashier and AVP of Accountant before joining to Camma Microfinance Limited.

Now, he is holding the position of Head of Accounting and Finance Department at Camma Microfinance Limited.



MR. LY CHHEANG
HEAD
CREDIT DEPARTMENT

Mr. Ly Chheang graduated in Master degree of Business Administration in major of General Management at Royal University of Law and Economics in 2009. He has more than 10 years of experiences in bank and microfinance sector. He held various positions with other Banks including Micro loan, small loan, medium loan, housing loan, Deputy Branch Credit Manager and Chief of Branch Credit Manager.

Before joining to serve Camma Microfinance Limited as the Operation Unit Manager in 2015 and then was promoted to Head of Credit Department in March 2016 till now.



EXECUTIVE COMMITTEE (CON'T)



MR. MOM CHANSOTHEA
HEAD OF ADMINISTRATION &
HUMAN RESOURCE DEPARTMENT

Mr. Mom Chansothea holds a Master of Science, a Bachelor of Education in English at Human Resources University and has certified as a senior technical teacher (Bachelor +1) in 2007. Prior to join with CAMMA MFI, he has more than 9 years' working experience with local and international organizations and other microfinance sectors including administration management, human resource and financial management, organizational development and leadership development. Furthermore, he was a Board of Director's member for local organization on project and program management and social accountability.

He is currently holding the position of Head of Administration and Human Resource Department.



MR. YANG HAI
HEAD
INTERNAL AUDIT DEPARTMENT

Mr. Yang Hai obtained his Master degree of Finance and Banking at Build Bright University in 2010 and Bachelor degree of Accounting and Finance at National Institute of Management in 2003. He has attended numerous training courses such as effective internal control, internal audit, advance credit risk management, report writing, leadership skill, Cambodian Taxes, International Financial Report Standard (IFRS) and Fraud. He has more than ten years experiences worked with Prasac and LOLC as credit officer, internal audit officer, senior internal auditor and operation audit unit manager.

He starts working at CAMMA as Head of Internal Audit Department in November 2015.



LENDERS AND PARTNERS



Advanced Bank of Asia
limited



ANZ Royal Bank
(Cambodia) Limited



RHB Indochina Bank
Limited



ACLEDA Bank Plc.



Vattanac
Bank
Limited



កាតាយ យ៉ូណីត
Cathay United Bank 香港上海銀行

Cathay
United
Bank



Phillip Bank Plc.



Wing (Cambodia)
Limited Specialised
Bank



OUR PRODUCTS AND SERVICES

GROUP LOAN

CAMMA's group loans offer to lower and low income households in Khmer Riel and have an occupation related to farming activities and other income-generating activities related to agriculture. The kind of this loan requires for clients in group that has one leader with 2 – 5 members in each group. The amount of the group loan is up to 1,000,000 Khmer Riel or or equivalent in USD per group member in period of up to 12 months. The annual interest rate is 36% with flexible repayment.

MICRO LOANS

Micro loans offer for micro-enterprises' purpose in rural, urban and other provinces in Kingdom of Cambodia. Micro loans offer for clients with the amount of such loans is up to USD 4,000 or equivalent in Khmer Riel with loan terms up to 36 months and the annual interest rate is from 21.6% with flexible repayment options.

SMALL LOANS

Small loans refer to loans offered specifically for small enterprises such as production, trade, agriculture service sectors and tourist in purpose to increase their income. This loan offers for clients with the amount of such loans is up to USD 10,000 or equivalent in Khmer Riel with loan terms up to 60 months and the annual interest rate is from 19.6% - 20.4% with flexible repayment options.

MEDIUM LOANS

Medium loans refer to loans offered specifically for medium enterprises such as production, trade, agriculture service sectors and tourist, which get license for business with good reputations and communications. This loan offers for clients with the amount of such loans is up to USD 100,000 or equivalent in Khmer Riel with loan terms up to 60 months and the annual interest rate is from 16.8% - 18% with flexible repayment options.

QUICK LOAN

CAMMA offers loans to clients who have individual person in their business' activities such as agriculture, trade, service, crafts, industry, family's purpose etc. The interest rate is 3% - 5% per month with a loan size of USD 500 or equivalent in Khmer Riel with a loan term up to 12 months and flexible repayment options.

STAFF LOAN

CAMMA offers staff loans to help fulfil staff livelihood challenges in purchasing important consumption materials as well as other challenges in their daily life. The loan amount is up to 40% - 50% of gross salary with a loan term up to 36 months, annual interest rate of 13.2% and Equal Monthly Installment Payment mode.



Key Performance Indicators	2013	2014	2015	2016
Number of Personnel	33	35	56	79
Number of Loan Officer	15	16	29	38
Staff Turnover Ratio	32%	19%	11%	16%
% of Female Staff	45%	30%	30%	28%
% of Male Staff	55%	70%	70%	72%

Performance Based Compensation

The positive performance and steady growth of Camma MFI result from hard work of managements and staffs, and those achievements support CAMMA MFI to forcefully developed and reached beyond all setting goals. Respond to this growth, benefit and compensation were provided with a better calculation and tends to escalate to motivate individual staffs and group performance.

In 2015, Camma MFI has adjusted on internal beneficiary such as the calculation method on benefit and compensation mainly for frontline staffs, amidst scale toward position and working period, annual reward revised, and other benefits. The calculation system on compensation and benefits were established to encourage management and our employees. Our goal is to encourage employees to maintain and increase its positive progress of Camma for the operational and social performance.

Staff Development and Team Building

The purpose of staff development and training of Camma is to aspire to build up a strong team and see our staffs meet a qualification while Camma is moving forward. Camma intend to build a highly skilled team and demonstrate high levels of collaboration to produce superior results for the strategic plan. Remarkably, there are several internal and external trainings with coaching support and scholarship programs were provided to managements and staff in each year.



Staff Welfare

Camma managements will have initiated to design and facilitate the team building events rewarded to the annual performance of branches and Camma as a whole. It is to strengthen and tighten on working communication between staffs, managements, and branches in Camma. Annual workshop, top management meetings, management committee meetings and several special meetings with frontline staff happened in 2016, which are the sources of great unity and inspiration.

Additionally, the general top management and the board of directors had meeting together to report and demonstrate the operational performance in 2016 and strategic plan for 2017 as well. There were also new developed of staff promotion methodology, code of conduct and complaint and discuss the challenges of working from all branches and making the better plan in the next forwarded years. We occasionally discussed about the encountered issues on the operations and set a strategic plan for next achievements. The most importantly, these would encourage staffs to have fun time, relax, and build a good communication amongst managements and staffs.



CAPACITY BUILDING (CON'T)

Camma Microfinance Institution tries the best to provide a standard working environment and team building, which recognizes the growth and the culture of promoting sense of teamwork. We love our people, our products, our services, our community and our society that are working with.





Internships Opportunities for Students

Responding to society, Camma focuses upon building human resources through providing the chance for university students to have internships and to volunteer within the institution. In 2016, Camma has welcomed 5 volunteers to provide assistances to various departments in Head Office of Camma. In addition, Camma has also officially permitted to 2 different groups that have 12 university students for the thesis as experienced related to basic knowledge.





Risk Management and Internal Control is inherent in any financial institution's strategic business plan as well Camma Microfinance Limited. The philosophy of risk management and internal control of Camma should responsibly help advance our business strategy, assist in the decision making process and enhance management's effectiveness. Eventually, it helps fundamental to successful day-to-day operation and assists the institute in achieve business objective. Weak or ineffective internal control has caused losses in many financial institutes. CAMMA has generated a strong internal control system to safeguard assets of institute to be better with customer service, to guard against intentional and unintentional errors, and to ensure staff adherence to policies and guidelines.

CAMMA's policies and procedures are integrated in the internal control system to prevent risk. Proper segregation of duty and dual control means that an employee cannot process the whole transaction. Every staff member takes responsibility and implements according to internal control policies. At the same time, they have to communicate upward about any problem like non-compliance according to policies and procedures.

All employees have responsibility for managing CAMMA risks. Executive Management, Branch Manager, Chief and all staff implement internal control and manage the risk occurring on the day-to-day operations.

CAMMA was built up internal audit department on 2015 in order to check the internal control effectively with clear role and responsibilities for providing independent appraisals on the adequacy, efficiency and effectiveness of the internal control system implemented by management. Internal audit department reports to the Audit committee



directly that is the member of Board of Director. The internal audit department complies with National Bank of Cambodia's Prakas on "the internal control of bank and financial institutions" regarding organization of internal audit, objective of the internal audit function, methodologies and procedures.

At the end of 2016, internal audits department has 3 staffs that are strongly supported by the Board Audit Committee and top management. Each branch, internal audit always visit to check frequently with focus on loan portfolios, quality of customer service, cash management and general expense of the branch.

In 2016, internal audit department has completed 17 assignments covering audit of all key operations and investigation into specific areas. Internal auditors have conducted client home visits of 310 clients equal to 26.86% of total loan account to assess the quality of outstanding loan and confirm that loan disbursement complies with prescribed policies.

In 2016, evaluation branch all performed their tasks well and had effective internal control in place. The audit result and annual achievement of CAMMA showed that loan delivery complied with policies and good quality.



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting their report together with the audited financial statements of CAMMA Microfinance Limited ("the Company") for the year ended 31 December 2016.

Principal activity

The Company's principal activity is to efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are farmers, artisans and business persons.

Financial results

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

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	382,270	1,543,224	396,814	1,607,097
Income tax expense	(70,996)	(286,611)	(80,980)	(327,969)
Net profit for the year	<u>311,274</u>	<u>1,256,613</u>	<u>315,834</u>	<u>1,279,128</u>

Dividends

On 8 August 2016, the Board of Directors declared and paid the dividend of US\$160,000.

Share capital

On 21 April 2015, the Board of Directors of the Company approved to issue the additional share capital of 1,050,000 shares for US\$1,050,000. On 5 September 2015, the Company obtained approval from National Bank of Cambodia to increase its share capital from US\$1,053,000 to US\$2,103,000 through cash injection and transfer from retained earnings of US\$850,000 and US\$200,000 respectively.

At the date of the report, the amendment of the Articles of Incorporation has not been obtained approval from the Ministry of Commerce yet.

Reserves and provisions

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



Bad and doubtful loans

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

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

Current assets

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company have been written down to an amount which they might be expected to 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 in the financial statements of the Company as 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 year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company which has arisen since the end of the financial statements year other than in the ordinary courses of its business operations.

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

Change of circumstances

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



Items of an unusual nature

In the opinion of the Directors:

- (a) The results of the operations of the Company for the financial year were not, in the opinion of the Directors, materially 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 year 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 year in which this report is made.

Events since the reporting date

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

The Board of Directors

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

- Mr. Thun Vathana Chairman
- Ms. Khat Sokean Vice-chairwoman
- Mr. Khov Soviet Member

Directors' interests

None of the Directors held or dealt directly in the shares of the Company during the financial year.

Directors' benefits

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

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

Responsibilities of the Board of Directors in respect of the financial statements

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



REPORT OF THE BOARD OF DIRECTORS (CON'T)

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of 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;
- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and during the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) control and direct effectively 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 they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 9 to 45 which present fairly, in all material respects, the financial position of CAMMA Microfinance Limited as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Signed in accordance with a resolution of the Board of Directors,



Thun Vathana
Mr. Thun Vathana
Chairman

Madam Dith Nita
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 28 APR 2017



To the shareholders CAMMA Microfinance Limited

Opinion

We have audited the financial statements of CAMMA Microfinance Limited (“the Company”), which comprise the balance sheet as at 31 December 2016, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 45 (hereafter referred to as “financial statements”).

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the report of the Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

28 April 2017

**Balance Sheet**

As at December 31, 2016

Description	2016		2015	
	USD	KHR	USD	KHR
Assets				
Cash on hand	82,936	334,813	47,375	191,869
Balance at banks	21,072	85,068	351,075	1,421,854
Balances at NBC	105,570	426,186	105,434	427,008
Loan to customers, net	7,385,295	29,814,436	5,913,596	23,950,064
Other assets	120,612	486,910	101,563	411,330
Property and equipment	62,515	252,374	32,923	133,338
Intangible assets	<u>48</u>	<u>194</u>	<u>867</u>	<u>3,511</u>
Total assets	<u>7,784,786</u>	<u>31,427,181</u>	<u>6,552,833</u>	<u>26,538,974</u>
Liabilities and Equity				
Liabilities				
Other liabilities	94,799	382,704	64,321	260,500
Current income tax liabilities	63,623	256,846	68,617	277,899
Borrowings	<u>5,023,472</u>	<u>20,279,756</u>	<u>3,968,277</u>	<u>16,071,522</u>
Total liabilities	<u>5,181,894</u>	<u>20,919,306</u>	<u>4,101,215</u>	<u>16,609,921</u>
Equity				
Share capital	2,103,000	8,489,811	2,103,000	8,517,150
Retained earnings	<u>499,892</u>	<u>2,018,064</u>	<u>348,618</u>	<u>1,411,903</u>
Total equity	<u>2,602,892</u>	<u>10,507,875</u>	<u>2,451,618</u>	<u>9,929,053</u>
Total Liability & Equity	<u>7,784,786</u>	<u>31,427,181</u>	<u>6,552,833</u>	<u>26,538,974</u>

**Income Statement**

For the year ended December 31, 2016

Description	2016		2015	
	USD	KHR'000	USD	KHR'000
Interest income	1,354,914	5,469,788	1,107,366	4,484,832
Interest expense	<u>(392,032)</u>	<u>(1,582,633)</u>	<u>(358,967)</u>	<u>(1,453,816)</u>
Net interest income	962,882	3,887,155	748,399	3,031,016
Provision for bad and doubtful loans	<u>(47,021)</u>	<u>(189,824)</u>	<u>(28,612)</u>	<u>(115,879)</u>
Net interest income after provision for bad and doubtful loan	915,861	3,697,331	719,787	2,915,137
Other operating income	92,697	374,218	76,760	310,878
Personnel expenses	(365,633)	(1,476,060)	(217,304)	(880,081)
Depreciation and amortisation expense	(38,586)	(155,772)	(24,662)	(99,881)
General and administrative expense	<u>(222,069)</u>	<u>(896,493)</u>	<u>(157,767)</u>	<u>(638,956)</u>
Profit before income tax	382,270	1,543,224	396,814	1,607,097
Income tax expense	<u>(70,996)</u>	<u>(286,611)</u>	<u>(80,980)</u>	<u>(327,969)</u>
Net profit for the year	<u>311,274</u>	<u>1,256,613</u>	<u>315,834</u>	<u>1,279,128</u>





Statement of Changes in Equity

For the year ended December 31, 2016

	Share capital	Retained earnings	Total
	USD	USD	USD
Balance as at January 1, 2015	1,053,000	232,784	1,285,784
Net profit for the year	-	315,834	315,834
Transfer from retained earnings to share capital	200,000	(200,000)	-
Issuance of share capital	<u>850,000</u>	-	<u>850,000</u>
Balance as at December 31, 2015	<u>2,103,000</u>	<u>348,618</u>	<u>2,451,618</u>
(KHR'000 equivalents-note 4)	<u>8,517,150</u>	<u>1,411,903</u>	<u>9,929,053</u>
Balance as at January 1, 2016	2,103,000	348,618	2,451,618
Net profit for the year	-	311,274	311,274
Convert retained earnings to share capital	-	(160,000)	(160,000)
Issuance of share capital	<u>2,103,000</u>	<u>499,892</u>	<u>2,602,892</u>
Balance as at December 31, 2016	<u>2,103,000</u>	<u>499,892</u>	<u>2,602,892</u>
(KHR'000 equivalents-note 4)	<u>8,489,811</u>	<u>2,018,064</u>	<u>10,507,875</u>





Statement of cash flows

	2016		2015	
	USD	KHR'000	USD	KHR'000
Cash flows from operating activities				
Net profit for the year	311,274	1,256,613	315,834	1,279,128
Adjustment to:				
Depreciation and amortisation expenses	38,586	155,772	24,662	99,881
Allowance for bad and doubtful loan	47,021	189,824	28,612	115,879
Net interest income	(962,882)	(3,887,155)	(748,399)	(3,031,016)
Income tax expense	70,996	286,611	80,980	327,969
	(495,005)	(1,998,335)	(298,311)	(1,208,159)
Changes in:				
Loan to customers	(1,518,720)	(6,131,073)	(1,217,248)	(4,929,854)
Other assets	(7,340)	(29,632)	(6,992)	(28,318)
Other liabilities	22,320	90,106	1,560	6,318
Cash used in operations	(1,998,745)	(8,068,934)	(1,520,991)	(6,160,013)
Income tax paid	(82,728)	(333,973)	(61,938)	(250,849)
Interest received	1,343,205	5,422,519	1,097,037	4,443,000
Interest paid	(383,875)	(1,549,703)	(363,850)	(1,473,593)
Net cash used in operating activities	(1,122,143)	(4,530,091)	(849,742)	(3,441,455)
Cash flows from investing activities				
Statutory capital deposit	-	-	(52,500)	(212,625)
Term deposits	200,000	807,400	200,000	810,000
Purchase of property and equipment	(67,359)	(271,928)	(12,597)	(51,018)
Purchase of intangible assets	-	-	-	-
Net cash (used in)/ generated from investing activities	132,641	535,472	(265,097)	(1,073,643)
Cash flow from financing activities				
Proceeds from borrowings	7,016,208	28,324,431	5,871,800	23,780,790
Repayments of borrowings	(5,961,012)	(24,064,605)	(5,559,887)	(22,517,542)
Proceeds from issuance of share capital	-	-	850,000	3,442,500
Dividend paid	(160,000)	(645,920)	-	-
Net cash generated from financing activities	895,196	3,613,906	1,161,913	4,705,748
Net increase/ (decrease) in cash and cash equivalents	(94,306)	(380,713)	47,074	190,650
Cash and cash equivalents at the beginning period	198,734	804,873	151,660	618,015
Currency translation difference	-	(2,584)	-	(3,792)
Cash and cash equivalents at the end of the year	104,428	421,576	198,734	804,873
Cash and cash equivalents represented by:				
Cash on hand	82,936	334,813	47,375	191,869
Balance at banks	21,072	85,068	151,075	611,854
Deposit at NBC	420	1,695	284	1,150
	104,428	421,576	198,734	804,873



គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ខេមា CAMMA MICROFINANCE LIMITED

ទូរស័ព្ទ TEL: 023 533 9999

គ្រឹះស្ថានភ្នំពេញ | ការិយាល័យសេដ្ឋកិច្ច
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ផ្ទះលេខ ១០១ អង្គរ ផ្លូវ ២៨៩ សង្កាត់បឹងកក់ទី ១ ខណ្ឌទួលគោក
រាជធានីភ្នំពេញ ព្រះរាជាណាចក្រកម្ពុជា ។
ទូរស័ព្ទ៖ (+៨៥៥)២៣ ៩៩៦ ៩៣៣ / ៥៣៣ ៩៩៩៩
អ៊ីម៉ែល ៖ info@camma.com.kh
គេហទំព័រ ៖ www.camma.com.kh

HEAD OFFICE

#101A, Street 289, Sangkat Beoung Kak 1, Khan Toul Kork,
Phnom Penh, Kingdom of Cambodia.
Telephone: (+855)23 996 936
Email: info@camma.com.kh
Website: www.camma.com.kh

សាខាអង្គស្នួល

ផ្ទះលេខ ៣៨ អង្គរ ផ្លូវជាតិលេខ ៤ ភូមិស្វាយជ្រំ ឃុំបែកទាប
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ទូរស័ព្ទ៖ (+៨៥៥)៨៩ ៩៩៩ ១៧៤
អ៊ីម៉ែល ៖ ans@camma.com.kh

សាខាគ្រូងតាខ្មៅ

ផ្ទះលេខ (គ្មាន) ផ្លូវជាតិលេខ ១១៥ ភូមិព្រែកសំរោង
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ទូរស័ព្ទ៖ (+៨៥៥)៨៩ ៦៦៦ ០០៣
អ៊ីម៉ែល ៖ tkm@camma.com.kh

