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SEILANITHIH LIMITED

2020

ANNUAL REPORT

#1SF&2SF, St.516
Sangkat Boeng Kok 1
Khan Toul Kork, Phnom Penh
Email: info@seilanithih.com.kh
Tel : (+855) 10 8888 76
www.seilanithih.com.kh

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VISION AND MISSION

VISION To contribute in improving the standard of living of the people with financial sustainability of Seilanithih Limited through providing financial services with appropriate interest rate.

MISSION To strengthen and extent the best financial services to people in order to expand their existing business or to start their new business legally through providing credit and saving services.

MILESTONES

- 1993:** CARE international Organization has received supporting from the Australian government to apply a pilot project name **SILA** is a “**Social Economic Improvement for Local Agency**” in Phnom Penh. This project has aimed to provide credit to vulnerable groups in the capital. Meanwhile, the organization has also carried out a Village Bank Project in Pursat and Banteay Mean Chey province, by the received supporting from UNDP and CARERE.
- 1996:** The three locations project of CARE international Organization which located in Phnom Penh, Pursat and Banteay Mean Chey province had included become a non-government organization call **SEILANITH ORGANIZATION**. SEILANITHIH Organization started lending operation project in the existing location by received supporting from CARE international Organization.
- 1998:** SEILANITHIH Organization began provide pilot fund for individual loan with 500\$ maximum with 100 clients in Phnom Penh project.
- 2001:** SEILANITHIH Organization has been registered at National Bank of Cambodia became an **Operational of Rural Microfinance** and established Malai branch which located in the operation area of Banteay Mean Chey province.
- 2002:** Battambang provincial branch was established.
- 2003:** SEILANITHIH Organization has changed into a Private Limited Company and became **Microfinance SEILANITHIH Limited Institution** has recognized by National Bank of Cambodia.
- 2006:** Foreign investors whom representative for CARD Inc became a shareholder of SEILANITHIH Limited.
- 2007:** Microfinance SEILANITHIH Limited Institution got a permanent license from National Bank of Cambodia and Siem Reap provincial branch was established.
- 2008:** Kompong Cham provincial branch also was established.
- 2009:** Catalyst Microfinance Investor International Holding (CMI) became a new shareholder of SEILANITHIH Limited. SEILANITHIH Limited was established many branches such as Moukkampoul District branch, Dongkor commune branches, Bakan District branch, Kravanh District branch, Samlot District branch, MOUNG Russey District branch, Sompov loun District branch, Mongkol Borei District branch, Preah Net Preah District branch, Ochrov District branch, Puok District branch, Kralanh District branch, Chamkarleu District branch.
- 2010:** SEILANITHIH Limited was established for three more branches such as Tmar Kol commune branch, Phnom Proek commune branch in Battambang province and Tmar Puok commune branch in Banteay Mean Chey province.
- 2011:** SEILANITHIH Limited was established for two more branches such as Kamrieng commune branch and Barvel commune branch in Battambang province.
- 2013:** Share of SEILANITHIH Limited occupied by Cambodian shareholders and appointed new board of director and chief executive officer to manage the institution.
- 2014:** SEILANITHIH Limited has changed their head office and logo which recognized by National Bank of Cambodia till nowadays.
- 2016:** SEILANITHIH Limited microfinance institution managed by two shareholders including SEILANITHIH Organization and one natural person known as Cambodian shareholder, then they restructuring for new established.
- 2018:** SEILANITHIH Limited microfinance institution managed by two shareholders, including SEILANITHIH Organization and one natural person known as Cambodian shareholder, in the management of new establishment till present.

CHAIRWOMAN'S MESSAGE

On behalf of the shareholders and as a chairwoman of the board of directors of Seilanithih Limited, I am pleased to present the Annual Report of Seilanithih Limited in year 2020. This report will highlight the achievements of the institution in year 2020, including the successful background of our clients in the community which was a result of the commitment of Seilanithih Limited.

It is my great pleasure that Seilanithih Limited has continued to strengthen its foundation as a financial institution despite getting heavily impacted by Covid-19. As the chairwoman of the board of director, I was always focused and spent valuable time with the board members to monitor and evaluate on medium and long-term business objectives of the company, as well as the employees' health. It was very important to strive to find the solutions when the institution facing with these unforeseen obstacles, and to maintain strong economic growth for the institution, we need more budget to invest on our projects to achieve our prosperous targets in the future. I have seen that the company has gained a lot of experiences over these years and through these recent years, the management team and employees have struggled to achieve the targets of the company and took part with the company to prevent obstacles that challenged in both micro and macro-economic sectors which were being hidden behind the operational activities of the institution. However, the Board of Directors has recognized that Seilanithih Limited still a financial institution that is able to move forward with substantial ways to go ahead even though the journey that will be long and difficult to navigate to be succeeded.

I would also like to express my gratitude to the Royal Government of the Kingdom of Cambodia, the National Bank of Cambodia, as well as the authorities at all levels for their continued support on the business operation of Seilanithih Limited to be success, growth and sustainable to provide financial service in the Kingdom of Cambodia. Seilanithih Limited was continuing provide the reliable financial services to the current customers as well as other customers within the business operation areas to develop and strengthen the operations to challenge into the market with highly competitive operating environment. Shareholders, board member, and I are strongly believed that through the leadership with the expertise strategies and competent human resource of institution, the company will continue to achieve the excellent results for all stakeholders.

Last but not yet least, on behalf of the board of directors, I would like to take this opportunity to thank the management team and employees at all levels for your continued support and hard work. We will assure that the institution will continue to improve our products and services for the benefits of our customers.



Mrs. KHA Leng
Board of Directors,

GENERAL MANAGER'S MESSAGE

As the general manager and on behalf of the management team of Seilanithih Limited, it is my honor to express my deepest thanks to shareholders, board directors and all the colleagues who have worked hard to overcome all obstacles to help the institution in this 2020.

Since this global pandemic caused by Covid 19 has left heavy impacts on almost every economic sectors around the world, I have always set the focus to seek for solutions for Seilanithih Limited to fulfill its true potential in achieving solid and steady progress and continue to improve on the information technology infrastructure through investment in advanced technologies, capacity building to expand and improve our business process to be stronger. We recognize that our customers and business partners are the important network in expanding our products and services. We will continue our mission to achieve our goals by building close relationship with customers and improving our staffs' productivities as well. The management structure of the company has been restructured and consists of the members with full of experiences in financial institutions, so we are promptly providing corporate financial services effectively to our clients to increase our centralized capabilities and make it even stronger.

The result in year 2020 has reflected that our strategies have been successfully implemented in the challenging environment and shown that Seilanithih Limited has continued its strengths and capabilities to achieve good results with non-performing loans at the lowest level compared to the whole sector, due to high staff's productivities, efficient cost management, good and direct relationships with customer, capital and risk management with fairness and active participation from staff at all levels. We have a strong culture, integrity, trustworthy and high morale in doing our business; moreover, we used to have great histories of success in our business. Therefore, we are highly confident that the institution will continue to improve our business model, which is unique and special compared to our competitors, and enable us to create long-term valuable vision for all stakeholders.

In conclusion, we are highly committed to seizing the opportunity that is our current success, and we believe that Seilanithih Limited is firmly committed to bring and add value to our shareholders.

I would like to sincerely thank to all the management team and staffs of Seilanithih Limited for their efforts to achieve excellent results, and special thank to our shareholders for their confidence in our strategies and their full supports for our growth. This 2020 has shown that we could make safe and sustainable growth for the institution.

Finally, I would like to thank to all of our customers for their contribution and trust in Seilanithih Limited which was a part of our success for year 2020 and for the future growth.



Mr. SEANG Simkourng
General Manager,

LOAN PRODUCTS AND SERVICES

The microfinance institution Seilanithih Limited has produced a number of financial products and services offers to low-income and middle-income people, entrepreneurs of micro and small enterprise, craftsmen, services provider, and farmers who are living in rural and urban of Cambodia. Clients have the option between Declining or Balloon payment methods depending on the profile of their business and income sources.

Individual Loan

Individual Loan is offered to both low-income and middle-income clients who are engaged in micro and small entrepreneurship, craftsmanship, services provider, and farming, they are living in Seilanithih Limited operation area. Clients can borrow money individually with a loan size from US\$100 to US\$10,000 and its equivalent to Khmer Riel (KHR) and Thai Baht (THB). The maximum repayment term is 60 months, with a Balloon or Declining repayment depending on their types of business.

Group Loan

Group Loan is offered to low-income people, low-income generating farmers and entrepreneurs of micro-enterprise; they are living in Seilanithih Limited operation area. To get a group Loan, a solidarity group must be formed. A solidarity group consists of 2 to 5 persons together with the loan size from US\$100 to US\$600 and its equivalent to KHR and THB with the maximum loan term of 12 months, both in Balloon and Declining repayment, depending on their business types.

Table of Products and Services

	2018	2019	2020
Credit service			
Portfolio Loan	4,433,963	4,539,321	3,235,997
Individual portfolio loan	4,419,873	4,530,484	3,235,831
Individual portfolio loan (%)	99.68%	99.81%	99.99%
Group portfolio loan	14,080	8,837	166
Group portfolio loan (%)	0.32%	0.19%	0.01%
Clients Amount			
Total clients	3,134	2,680	2,079
Individual loan clients amount	2,976	2,573	2,076
Rural Client	2,610	2,258	1,753
Client (Female)	2,316	1,979	1,498

OVERVIEW OF BANKS AND FINANCIAL INSTITUTIONS

The global growth of banks and financial institutions has been heavily affected by the Covid-19 pandemic during this 2020, hence the improvement of this sector in Cambodia has decreased by 1.9% compared to 2019. One of the sector that was affected by this pandemic the most is tourism, which has dropped down by 9.7% from previous year. However, agricultural sector has been growing despite having hit by some natural disasters for a short period of time. Regardless of these several issues, all impacted sectors recovery has begun to take place at the end of the year and it is expected to get better by 2021.

Financial Position and Performance

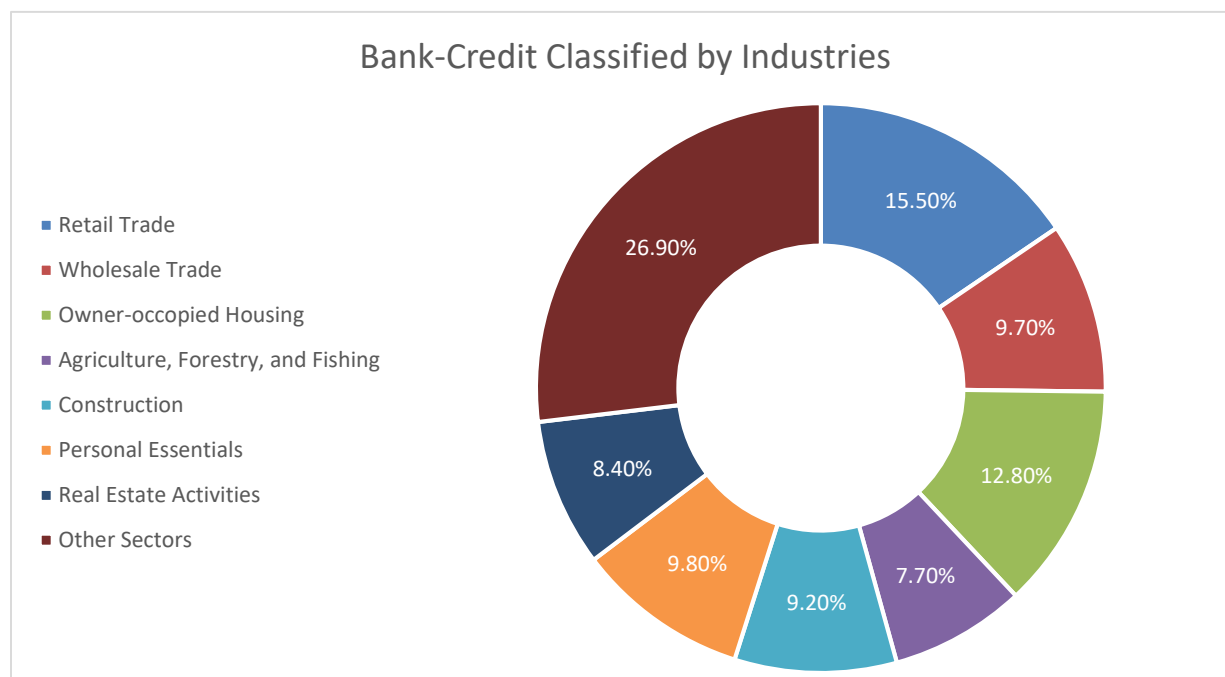
The growth in all economic sectors and political stability have been the main factors in promoting the public and foreign investors' confidence as well as maintaining the safety and soundness of Cambodia's banking system. At the end of 2020, Cambodia's banking system consists of 52 commercial banks (17 local banks, 17 subsidiaries and 13 foreign branch banks) 15 specialized banks, 6 microfinance deposit-taking institutions, 75 microfinance non-deposit taking institutions, 246 rural credit institutions, 15 financial leasing companies, 4 third party processors, 24 payment service institutions, 1 credit bureau company, 6 representative offices, and 2,889 money changers.

Cambodia's banking system continues growing both scope and scale, with total assets increased by 15.7% to KHR 240.8 trillion (USD 59.4 billion), of which loans accounted for KHR 151.3 trillion (USD 37.3 billion). The growth was funded by equity of KHR 25.7 trillion (USD 6.3 billion), deposits KHR 136.9 trillion (USD 33.8 billion) and borrowing fund KHR 17.1 trillion (USD 4.2 billion).

The network expansion of banks and financial institutions has made customers at provinces convenient by widely access and use financial services. The expansion of branch networks and automated teller machines (ATMs) increased to 3,168 respectively. In addition, banks and financial institutions continue to actively diversify their financial services in order to satisfy customers' demand, especially by introducing debit and credit cards, money transfer services and electronic payments.

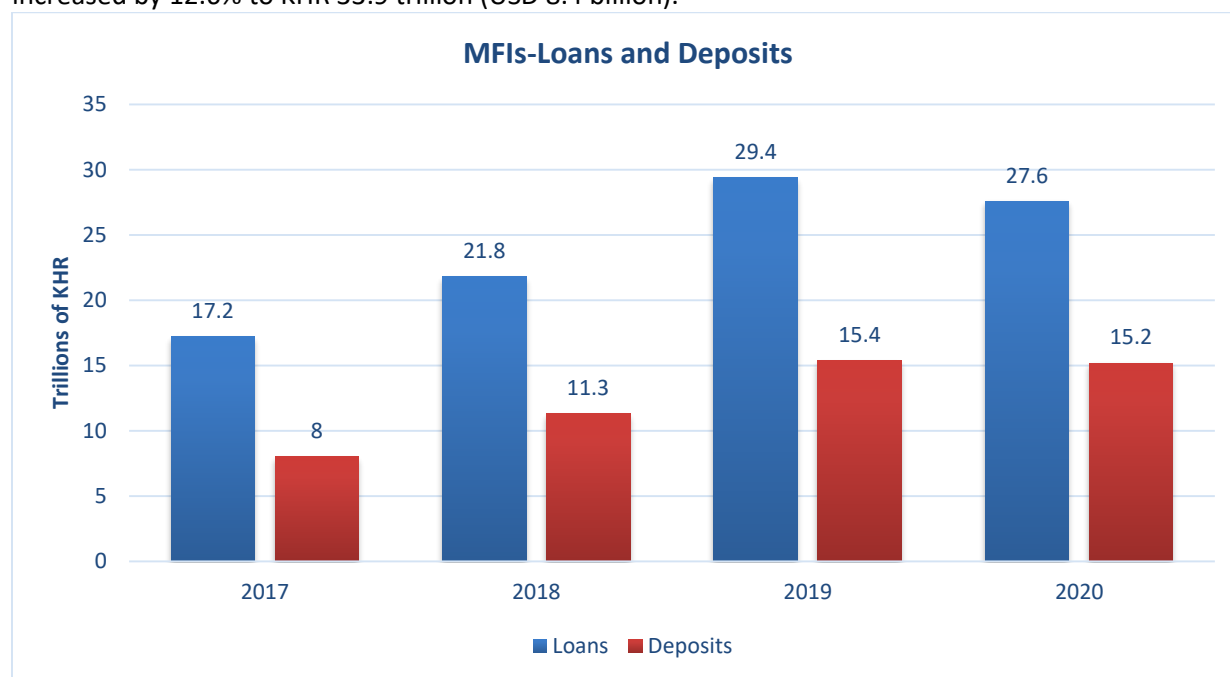
Banking Sector's Performance

Banking sector continues to have remarkable growth reflected by its total assets of banks have increased by 16.2% to KHR 205.3 trillion (USD 50.7 billion) which is funded by customer deposits KHR 121.7 trillion (USD 30.0 billion). Credit, which is the main source of funds for economic activities, increased by 15.3% to KHR 122.4 trillion (USD 30.2 billion), and distributed to key industries, such as retail trade 15.5%, wholesale trade 9.7%, owner-occupied housing 12.8%, agriculture, forestry and fishing 7.7%, construction 9.2%, personal essentials 9.8%, real estate activities 8.4%, and other sectors 26.9%.

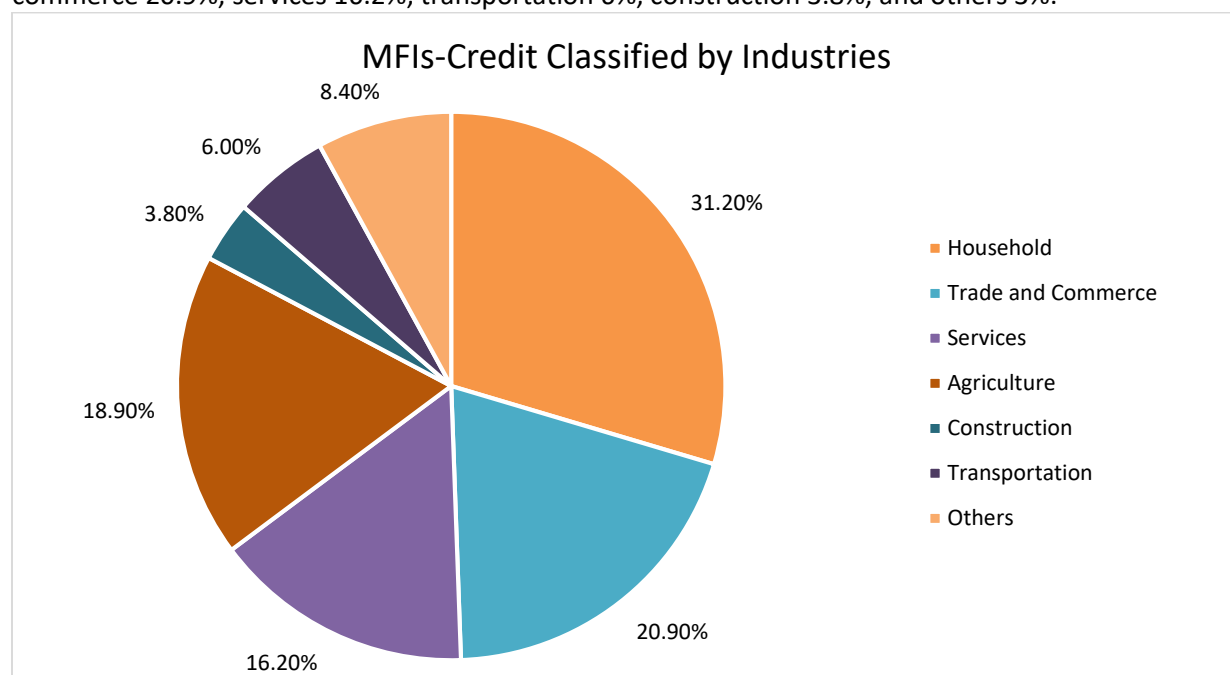


Microfinance Sector's Performance

Microfinance sector has still significantly developed and remained sustainable which reflected the public confidence and the use of formal financial services in rural areas. Total assets of microfinance institutions increased by 12.6% to KHR 33.9 trillion (USD 8.4 billion).



The total deposits in 2020 are KHR 15.2 trillion (USD 3.7 billion), while loans are KHR 27.6 trillion (USD 6.8 billion). Loans were distributed to key industries, such as household 31.2%, agriculture 18.9%, trade and commerce 20.9%, services 16.2%, transportation 6%, construction 3.8%, and others 3%.



Microfinance institutions have maintained their interest rates relatively lower than the NBC's ceiling. The average interest rate of KHR was 16.56% and USD loan was 14.86%, whereas the average interest rates of KHR and USD deposits were offered at respective rate similar to last year of 7.31% and 7.25%. The increase in market competition has led the microfinance institutions to pay more attention on strengthening operational efficiency and reducing operational costs, which help lower the interest rates on both KHR and USD loans.

SUMMARY OPERATION STATEMENT

Operational Performance

As of December 31, 2020, Seilanithih Limited has 2,680 clients with loan outstanding of USD3,235,997. It operates out of 12 branches in the following provinces and municipalities: Phnom Penh City, Kandal, Pursat, Battambang, Banteay Mean Chey, Siem Reap, Kampong Cham and Tbong Khmoum Province.

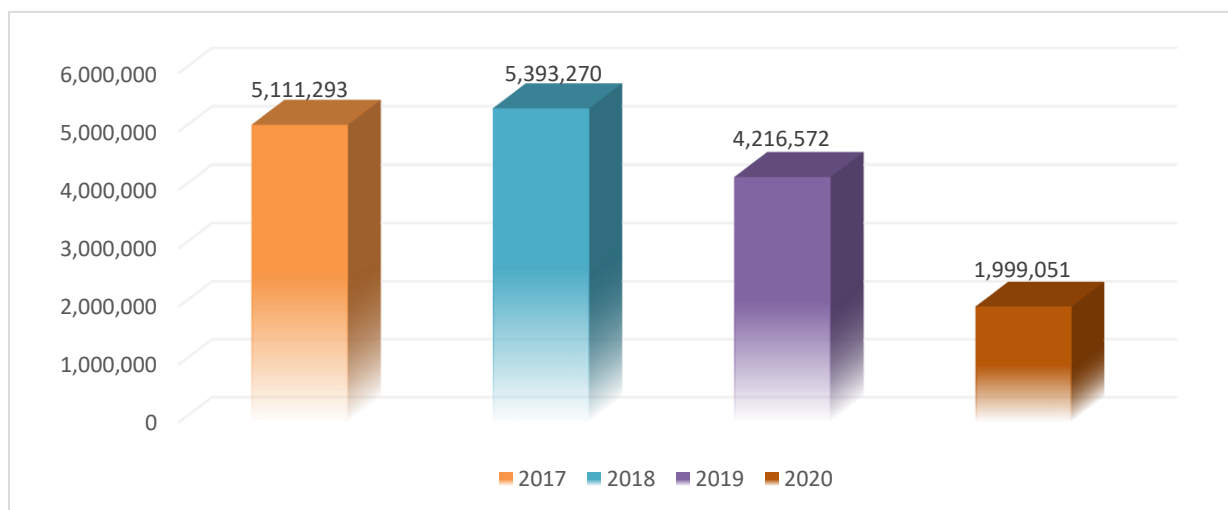
	2018	2019	2020
Total portfolio loan	4,433,963	4,539,321	3,235,997
Portfolio Loan	4,419,873	4,530,484	3,235,831
Group portfolio loan	14,080	8,837	166
Portfolio loan (KHR)	1,444,442	1,365,714	1,011,173
Portfolio loan (US)	1,178,524	1,219,980	927,167
Portfolio loan (THB)	1,810,997	1,953,627	1,297,657
Average credit portfolio	1,415	1,694	1,557

Client provided credit

	2018	2019	2020
Total Client loan	3,134	2,680	2,079
Individual Client loan	2,976	2,573	2,076
Group Client Loan	158	107	3
Client Loan (Female)	2,316	1,979	1,498
Client loan (Male)	818	701	581
Amount Client / Credit Officer	60	64	56

Loan Disbursement

The total loan disbursement in 2020 was USD 1,999,051 to 1,854 clients, which was decreased by 52.59% compared to the data of 2019, and the clients, who have received loan, were decreased by 47.78%. The total amount was given to utilize in different sectors such as agriculture, livestock, business, services and handicrafts.



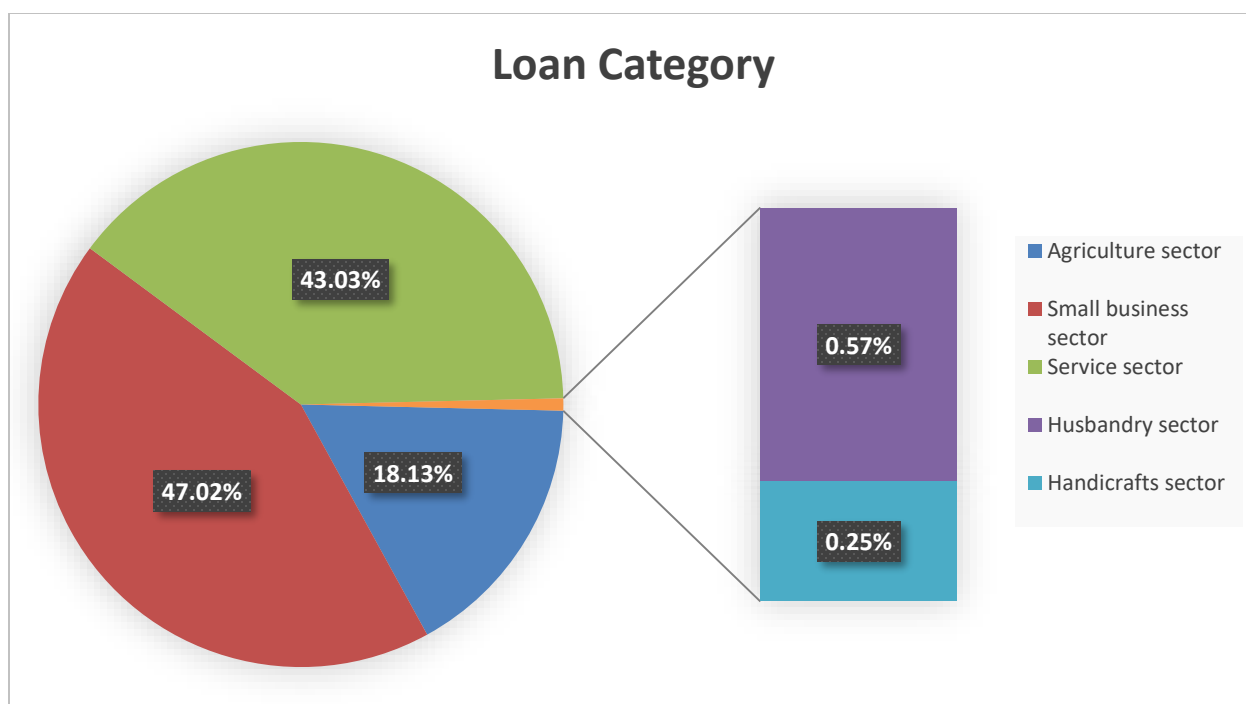
Loan Portfolios Quality

During year 2020, Seilanithih Limited committed to improving the loan portfolio quality as well as pay deep attention to disbursement of new loans. Although tried to take the efforts for prevention and collection in written-off loans, that made the PAR trend was decreased from 4.33% of year 2019 to 3.42% in this year 2020, which is a signal stepping up to better situation. There weren't any number of written-off loans which was approved in year 2020.

	2018	2019	2020
Risk Portfolios /30 Days	218,345	196,698	110,757
Risk Loan / %	4.92%	4.33%	3.42%

Loan Category

Seilanithih Limited offers loans to support various types of livelihood opportunities. As of 31 December 2020, loans in **the agriculture sector** consist of 18.13% of total loan portfolio, mostly in farming crops such as rice, corn, cassavas, green beans, Tagnen, etc. **The small business sector** represented 47.02%, which mainly involved in buying and selling in the form of micro and small business activities. **The service sector** is constituted by 43.03%, consisting of renting houses, taxicabs, tailoring, motor-taxis, repairing shops, etc. **The husbandry sector** represented 0.57%, mostly engaged in raising ducks, pigs, chickens, fish, etc. **The handicrafts sector** represented 0.25%, relating to manmade.



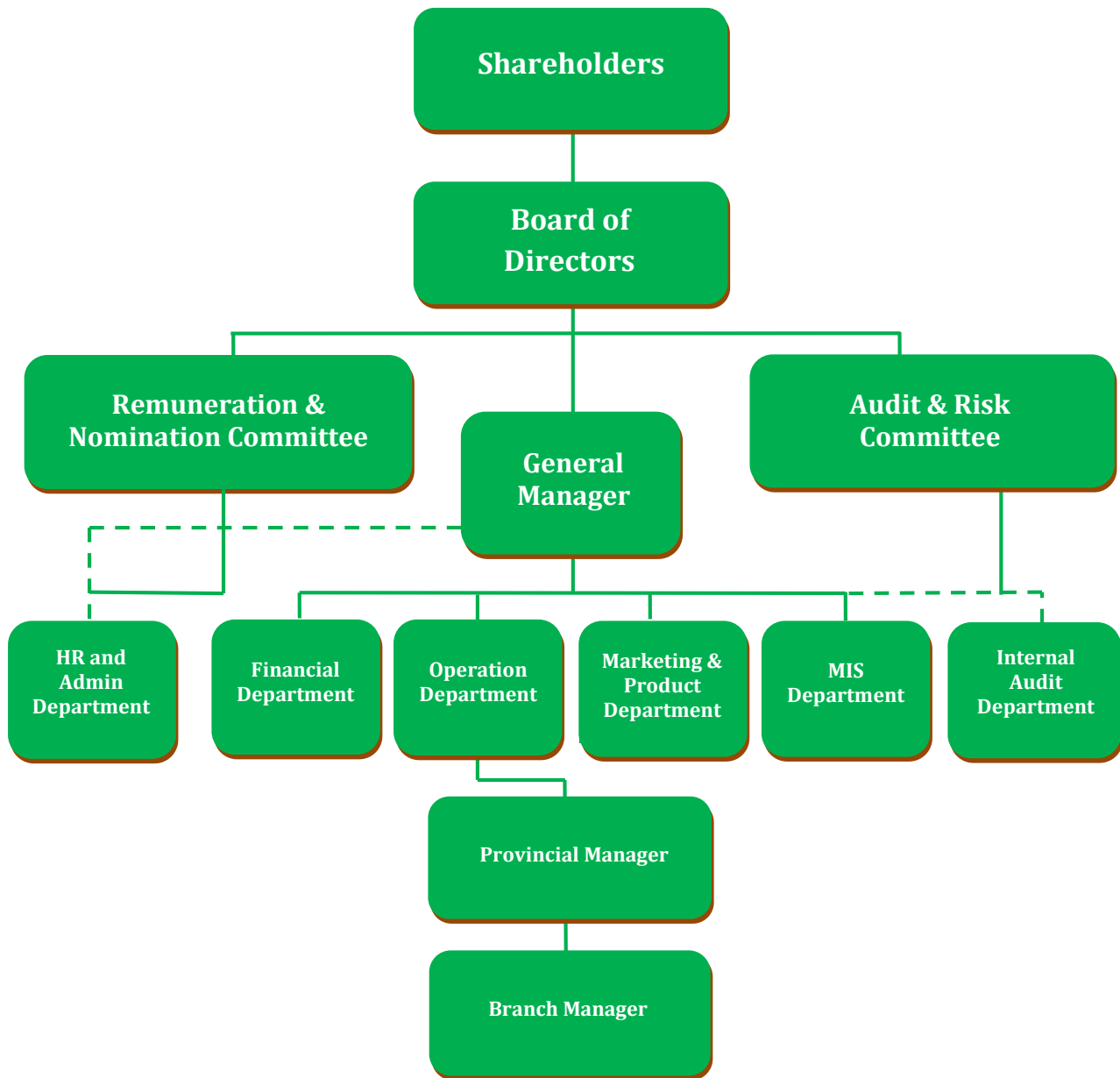
STAFF EVOLUTION AND CAPACITY BUILDING

Staff Evolution

The number of staff of Seilanithih Limited Microfinance Institution has slightly decreased from 115 members in 2019 to 105 in 2020, which has showed an increase of 8.70%. At the end of 2019, female staffs consist 30 members, which represent 28.57% of the total number. Staff turnover rate was 19.23% compared to last year 2019, hence the decline of overall staff by 8.69%. To be competitive in the market, the company has developed a clear and transparent Human Resource Policies and procedures related to the staff recruitment, appraisal, compensation and disciplines.

Human resources	2018	2019	2020
Total Staff	135	115	105
Total Female staff	38	33	30
Manager	26	23	22
Credit Officer	51	42	37
Support Staff	58	50	46

ORGANIZATION CHART OF SEILANITHIH LIMITED



BOARD OF DIRECTORS



Mrs. KHA LENG
Board Chairwoman

Mrs. Kha Leng was appointed as a member of Board of directors of SEILANITHIH LIMITED Microfinance Institution in December 9th, 2016, she was an official recognition in February 21th 2017, and was recognized as chairwoman of Board of Directors on August 31st, 2018 by National Bank of Cambodia. She graduated bachelor degree of Bank and Finance from Asia Euro University in 2010. In 2012, she graduated master degree of Business Administration from Asia Euro University.



Mrs. TONG SOKLY
Board Member

Ms. Tong Sokly was appointed as a member of Board of Directors of Seilanithih Limited by the issued official recognition letter on 31 August 2018 of National Bank of Cambodia.

Ms. Tong Sokly graduated bachelor degree in accounting and finance and had its diploma in 2013. She is currently pursuing a master degree in auditing. Besides, she has been involved in many years on business of some companies such as: from 2010 to 2012, as Accountant of Five Oceans Co., Ltd. from 2012 to 2014, as Accountant of Borey PENG HUOT, 2014 to present as an Assistant General to CEO of Alpha Property Construction Co., Ltd.



Miss. LY BOPHA
Board Member

Miss. Ly Bopha was appointed as a member of Board of directors of SEILANITHIH LIMITED Microfinance Institution in December 9th 2016 and recognized by National Bank of Cambodia in February 21th 2017. She graduated bachelor degree of Advance Business Administration from Seneca University of Canada in 2013. In 2016, she graduated Business Technology Management from Ryerson University in Canada. Nowadays, she is also working at Farmer Fiance LTD as a Chairwoman.



Mr. HUOT HAK
Board Member

Mr. Huot Hak was selected as a board member of Seilanithih Limited on 27 February 2013.

He worked as a lecturer of law at the Royal University of Law and Economics in Phnom Penh from 1998 to 2015 and also at Royal School of Administration. He is a professional lawyer, a notary and a former member of Council of Jurists.

Mr. Huot Hak was educated in Cambodia and overseas. He holds a Doctor of Business Administration (DBA) degree in economics from USA, He also received a Diplôme d' Etudes Approfondies Administration Publique, a Master of Public Law, in France.



Mr. PHOV SAMPHY
Board Member

Mr. Phov Samphy was appointed as a board member on 27 February 2013.

He has a Diplôme d'Etudes Approfondies Administration Publique (DEA), a Master of Public Law, and a Bachelor of Law from University Lumière-Lyon-2 in Lyon, France. Mr. Phov Samphy is a notary and chairman of Trust Fund of Seilanithih.

Year 1999 to 2018, He used to be a law specialist of United Nations at the International Court of Justice at La Haye City.

He was a member of the Council of Ministers and a professor of Commercial Law, Criminal Law, and Administration Law at Royal University of Law and Economics in Phnom Penh.



Miss. CHHIM SOPHEAP
Board Member

Miss. Chhim Sopheap was appointed as a member of Board of directors (Independence) of SEILANITHIH LIMITED Microfinance Institution in December 9th 2016 and recognized by National Bank of Cambodia in February 21th 2017.

She graduated bachelor degree of Commercial Management majoring in Accounting. She is currently a senior of bachelor degree of Public Law at Asia Euro University. She has been working as an accountant for Century Pacific Trading Co Ltd since 2010. She is also the independent board member of Alpha Commercial Bank.

MANAGEMENT TEAM



Mr. SEANG SIMKOUNG
General Manager

Mr. Seang Simkoug, a Cambodian nation, joined Seilanithih on July 22, 2018. Before joining with Seilanithih, he was working as an Accounting and Tax Manager at Punleu Aklangka Co. Ltd (Import & Export Company), during his employment with Punleu Aklangka Co., Ltd he was also appointed by the business owner to be a finance manager of many projects of Battambang Agro Industry (Located at Kamrieng district Battambang province). Prior to this he has more than 10 years experiences in management level with the financial institutions such as accounting manager at Ly Hour Leasing Plc, Finance Manager at T & GO Finance Plc, and Senior accounting officer at Union Commercial Bank Plc.



Mr. NGUON VANTHY
Head of MIS Department

Mr. Nguon Vanthy was appointed as Head of MISD of Seilanithih Limited Microfinance Institution on November 25th, 2019. He was also an Acting General Manager of Seilanithih Limited during 2018, and has been recognized by National Bank of Cambodia on June 28th, 2018.

Mr. Nguon Vanthy has been working with Seilanithih Limited Microfinance Institution since 2011 as Deputy of MIS Department. Due to structural change, he was appointed as an Acting Head of MIS Department in 2017. He obtained Bachelor Degree of Computer Science and Engineering from RUPP in 2002. In his career, Mr. Nguon Vanthy has over 10-year of experiences in Computer Science and Engineering sector. He used to work for USAID Cambodia MSME Project and CAMBOSIX Co., LTD in IT and Server System Management.



Mr. HAY SAMNANG
Acting Head of HR and Admin Department

Mr. Hay Samnang has been working for Seilanithih Limited since 2000 as a Credit Officer. In 2002. He was promoted as a Chief Credit Officer, Chief Administration Officer and Accountant. In 2003, he was appointed as Acting Branch Manager and Branch Manager in 2004. In 2009, he was appointed Regional Director and Acting Director of the Department of Human Resources and Administration in 2011. In 2014, he was transferred to the position of Dequency Manager. In 2016, he was promoted to Assistant Chief Executive Officer. In 2017, with a change in management structure, he was re-appointed Acting Director of the Department of Human Resources and Administration.

Mr. Hay Samnang received a Master's Degree in Management from the University of Management and Economics in 2014.



Mr. SIM NARANN
Internal Audit Manager

Mr. Sim Narann started working as the internal audit manager of Seilanithih Limited Microfinance in mid 2020.

He was previously working for Ly Hour PayPro PLC. as an internal audit manager and Head of Internal audit department. He has over 11-year of experiences in microfinance sector by having worked in variety of positions such as, Customer Service, Credit Officer, Internal Audit Officer, Internal Audit Senior Officer, and Internal Audit Manager, which was recognized by the National Bank of Cambodia.

Currently, Mr Sim Narrann is continuing his Master degree of Finance at University of Economics and Finance. He has also finished his CAT and ACCA Program from FTMS Global Academy School.

Mr. Sim Narrann graduated his English as Foreign Language course at Paññāsāstra University of Cambodia. He also obtained his Certificate as Tax Agent from National Tax School of General Tax Department in Cambodia, as well as his Bachelor Degree of Accounting and Finance from Human Resources University.



Mr. Teng Sekha
Finance Manager

Mr. Teng Sekha has been appointed as Finance Manager of Seilanithih Limited Microfinance during in August, 2020. He graduated Master Degree of Finance and Banking from Norton University in 2018 and Bachelor Degree of Accounting from Maharishi Vedic University of Prey Veng province in 2002. He has obtained Certificate of Tax Agent from National Tax School of General Tax Department in Cambodia and has also participated in several management and accounting programs.

Mr. Teng Sekha has over 10 years of experience from working in various sector such as Accounting Sector and Financial Audit Sector at Aceleda Bank Plc. He had supported for a new operational office at Preah Vihea Province, the first offline office providing for all bank's services. He had ever worked for leasing companies as Deputy Accounting Manager for Ly Hour Leasing Plc and GL Finance Plc. He had also worked in accounting function with RHMS Shop Plc, Pham Import-Export Srl in Italy, and Comin Khmere.

REMUNERATION & NOMINATION COMMITTEE (RNC)

The **RNC** was established by the new Board of Directors in the second quarter of 2017, in order to monitor the management activities to ensure that they were complying with the existing policies of company, annual business plan and annual budget plan; to monitor the operational managements, the financial Managements, and the internal control system; and also remunerate and nominate each manager of the company to be a manager in appropriate position is needed.

1- RNC Composition

1-	Mrs. KHA LENG	Board of Directors	is	Chairperson
2-	Mr. PHOV SAMPHY	Board Member	is	Member
3-	Mr. SEANG SIMKOUNG	General Manager	is	Member

2- Roles and Responsibilities of RNC

The **RNC** of Seilanithih Limited has to be responsible on regularly monitoring institution's operational activities in order to meet the institutional goal, and operational plans which were raised for implementation include: business plan, budget plan, all of the institutional policies, and staff recruitment.

- The **RNC** of Seilanithih Limited has an important task to be responsible on managing, leading, and monitoring to ensure that the company's financial and operational performances are in line with the budget and plan. The **RNC** has to conduct a meeting every three months or adopt to the necessity's circumstances of the institution;
- The **RNC** of Seilanithih Limited has a duty to control and monitor on daily activities of managers at all levels include: Chief Executive Officer/General Manager, and all Department Directors of the institution.
- The Chairman of the Board of Director has a duty to verify and approve the requests for preparing every institutional operation's plan, the recruitment of all director positions which made by the **RNC** or set regulation to **RNC** of the institution.

3- Activities and Achievements of RNC

- In 2017, the **RNC** has conducted their meetings as schedule was set to review overall performances of the Company. All key management staff members were required to present their respective department's achievements and challenges to the **RNC** for setting up the strategy and improving the company's performance.
- The operations and funding situation were closely monitored every month;
- A Legal Advisor was operated and solved every legal matter concerned;
- The **RNC** plays a major role to help and guide the management team during the year to address the management goals in a good condition.

AUDIT AND RISK COMMITTEE (ARC)

The ARC was established by the new Board of Directors in the second quarter of 2017. The committee was made up of 3 members, with one non-executive independent Board Member appointed as committee chairman. The committee has been established to oversee and strengthen the department's capacity and to improve internal control mechanism of the institution.

1- The ARC Composition

1-	Miss CHHIM SOPHEAP	Independent Board Member	is	Chairperson
2-	Mrs. KHA LENG	Board of Directors	is	Member
3-	Miss. LY BOPHA	Board Member	is	Member

2- Roles and Responsibilities of ARC

The ARC works to ensure that the information included in the financial reports to the Board is complete, accurate, reliable, relevant, verifiable and timely. Moreover, the ARC also reports to Board of Directors about any pertinent issues.

- The ARC has to be responsible in monitoring and evaluation on institutional risks in order to meet the institutional goal and operational plan was set include: business plan, revenue and expenditure planning, staff policy performance, staff recruitment, financial policy, credit policy, and management information system.
- The ARC has an important task to be responsible directly on internal audit report about the institutional performance and institutional policies implemented. The ARC has to monitor and take action on risks management which occurred in operational activities, in order to be oriented to meet the institutional policy. The ARC has to conduct a meeting every three months or adopt to the necessity's circumstances of the institution;
- The ARC has an important task to evaluate and prepare the daily implementation plan, for the institutional operation management through internal audit department report, submit to chairman of the BOD for verifying and approving to continue implementation;
- The Chairman of the Board of Directors shall verify and approve on the ARC's requests of prepared plans or made regulation to the institutional management.

3- Activities and Achievements of the ARC for the year 2020

Year 2020, the ARC has conducted their meetings as schedule. The committee expressed its agreement in the consultation on the Internal Audit work plan and took note of the planned audit assignments. The Internal Audits Department audited sixteen branches, with some branches being audited twice. The Internal Audit Department has carried out risk assessments within the specific audit fields allowing the identification of high-risk areas and therefore audits tasks which are likely to have the highest impact. A standardized risk assessment approach is used to rank and prioritize potential audit tasks.

SHAREHOLDERS

Shareholders composition was changed, in 2018, by National Bank of Cambodia issued a letter No. ២៧-018-840/២០១៨, dated at August 31, 2018, allowed to transfer of 168,714 shares equal to 80.34% of the total to Mrs. KHA LENG. New shareholders and the breakdown of their percentage of investments in Seilanithih Limited respectively as below:

SEILANITHIH NGO: Holding 41.286 Shares were 19.66%

Seilanithih NGO was created in 1996 by CARE international - Cambodia through the integration of the SEILA Projects in Phnom Penh City and the Village Bank in Pursat and Banteay Mean Chey province. It was registered with the Ministry of Interior. Seilanithih NGO's objective is to contribute in improving the standard of living of the people through providing financial services.

Mrs. KHA LENG: Holding 168,714 Shares were 80.34%

Ms. KHA LENG joined Seilanithih Limited microfinance institution since December 9, 2016, she received role of shareholder and Chairman of the Board of Directors which recognized by National Bank of Cambodia on August 31, 2018.

A detailed list of the new shares' structure after transferred:

No.	Shareholder	Holding Shares	Capital (USD)	%
1	SEILANITHIH NGO	41.286	412,860	19.66%
2	Mrs. KHA LENG	168,714	1,687,140	80.34%
Total		210,000	2,100,000	100%

SOCIAL PERFORMANCE MANAGEMENT (SPM)

The Social Performance Management (SPM) approach, Seilanithih Limited Microfinance Institution has many strong points as following:

- Flexible interest rate, loan terms and pre-payment terms;
- Does not pressure clients or use aggressive sales techniques;
- Consistent practice in repayment capacity analysis;
- Use of CBC information, consultation with local authorities and other MFI staff;
- Good portfolio quality-good monitoring and reporting of portfolio at risk (PAR);
- Good using of leaflets, poster, calendars, information board to disclose product information;
- Good use of Khmer in verbal communication to clients and in documents and forms.
- Provides clients with adequate time to review terms and conditions;
- Participates in the MFT initiative;
- Has a code of conduct and communicate it properly to staff through training and the employment contract;
- No zero tolerance to PAR's policy,
- Field staff base pay meets minimum wage.

REPORT OF THE INDEPENDENT AUDITORS

Opinion

We have audited the financial statements of Seilanithih Limited ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 45.

In our opinion, the accompany financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs").

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 International Ethics Standards Board for Accountants' Code of Ethics for professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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 Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those states on 14 September 2020.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of 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 auditor's 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 these financial statements in accordance with CIFRS for SMEs, 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 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 governance are responsible for overseeing the Company's 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 audit in accordance with CISAs, we exercise professional judgement 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 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 audit 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 date of our auditor's report. However, future events or condition 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 disclosure, 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 Fii5Associates Co., Ltd.



Heng Seida
Managing Partner
Phnom Penh, Kingdom of Cambodia
29 April 2021

BALANCE SHEET

		2020		2019	
	Note	US\$	KHR'000	US\$	KHR'000
			(Note 2.4)		(Note 2.4)
Assets					
Cash on hand	4	56,305	227,754	8,507	34,666
Deposits and placements with NBC	5	107,107	433,248	106,591	434,358
Deposits and placements with banks	6	1,019,216	4,122,729	13,266	54,059
Loans to customers	7	3,363,470	13,605,236	4,537,806	18,491,559
Other assets	8	232,195	939,228	61,042	248,746
Property and equipment	9	24,063	97,335	25,960	105,787
Intangible assets	10	2,924	11,828	750	3,056
Deferred tax assets	11.1	29,982	121,277	-	-
Total assets		4,835,262	19,558,635	4,753,922	19,372,231
Liabilities and equity					
Liabilities					
Compulsory deposits	12	9,926	40,151	21,167	86,256
Other liabilities	13	83,630	338,283	78,783	321,038
Provident fund and severance pay liabilities	14	115,551	467,404	144,693	589,624
Borrowings	15	1,652,132	6,682,874	1,652,132	6,732,438
Subordinated debts	16	516,153	2,087,839	518,708	2,113,735
Current income tax liability	11.2	84,623	342,300	47,954	195,413
Deferred tax liabilities	11.1	-	-	5,116	20,848
Total liabilities		2,462,015	9,958,851	2,468,553	10,059,352
Equity					
Share capital	17	2,100,000	8,400,000	2,100,000	8,400,000
Regulatory reserves	18	41,312	167,107	-	-
Other reserves	19	289,137	1,169,559	289,137	1,178,233
Accumulated losses		(57,202)	(229,108)	(103,768)	(418,958)
Currency translation differences		-	92,226	-	153,604
Total equity		2,237,247	9,599,784	2,285,369	9,312,879
Total liabilities and equity		4,835,262	19,558,635	4,753,922	19,372,231

INCOME STATEMENT

	Note	2020		2019	
		US\$	KHR'000 (Note 2.4)	US\$	KHR'000 (Note 2.4)
Interest income	20	602,280	2,455,496	801,893	3,249,270
Interest expense	21	(191,704)	(781,577)	(195,360)	(791,599)
Net interest income		410,576	1,673,919	606,533	2,457,671
Other income	22	459,748	1,874,393	315,444	1,278,179
Total other operating income		870,324	3,548,312	921,977	3,735,850
Personnel expenses	23	(529,657)	(2,159,412)	(553,984)	(2,244,743)
General and administrative expenses	24	(311,595)	(1,270,373)	(241,054)	(976,751)
Reversal of impairment allowance for loans to customers	7	76,449	311,683	11,907	48,247
Profit before income tax		105,521	430,210	138,846	562,603
Income tax expense	11.3	(17,643)	(71,931)	(26,452)	(107,184)
Net profit for the year		87,878	358,279	112,394	455,419
Other comprehensive (loss)/income					
Currency translation difference		-	(61,378)	-	109,965
Total comprehensive income for the year		87,878	296,901	112,394	565,384

STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves		Regulatory reserves		Accumulated losses		Currency translation differences		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)	
At 1 January 2019	2,100,000	8,400,000	289,137	1,161,752	-	-	(216,162)	(874,377)	-	43,639	2,172,975	8,731,014
Comprehensive income for the year												
Net profit for the year	-	-	-	-	-	-	112,394	455,419	-	-	112,394	455,419
Other comprehensive income												
Currency translation differences	-	-	-	16,481	-	-	-	-	-	109,965	-	126,446
Total comprehensive income for the year	-	-	-	16,481	-	-	112,394	455,419	-	109,965	112,394	581,865
At 31 December 2019	2,100,000	8,400,000	289,137	1,178,233	-	-	(103,768)	(418,958)	-	153,604	2,285,369	9,312,879
At 1 January 2020	2,100,000	8,400,000	289,137	1,178,233	-	-	(103,768)	(418,958)	-	153,605	2,285,369	9,312,879
Comprehensive income for the year												
Transfer	-	-	-	-	41,312	168,429	(41,312)	(168,429)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	87,878	358,279	-	-	87,878	358,279
Other comprehensive income												
Currency translation differences	-	-	-	(8,674)	-	(1,322)	-	-	-	(61,378)	-	(71,374)
Total comprehensive income for the year	-	-	-	(8,674)	41,312	167,107	46,566	189,850	-	(61,378)	87,878	286,905
At 31 December 2020	2,100,000	8,400,000	289,137	1,169,559	41,312	167,107	(57,202)	(229,108)	-	92,226	2,373,247	9,599,784

STATEMENT OF CASH FLOWS

		2020		2019	
	Note	US\$	KHR'000	US\$	KHR'000
			(Note 2.4)		(Note 2.4)
Cash flows from operating activities					
Net profit for the year		87,878	358,279	112,394	455,419
<i>Adjustments for:</i>					
Depreciation and amortisation		12,912	52,642	9,025	36,569
Property and equipment written off		-	-	1,061	4,299
Income tax expense		17,643	71,931	26,452	107,184
Unrealised foreign exchange (gain)/loss		(95,440)	(389,109)	7,759	31,439
Reversal of impairment allowance for loans to customers		(76,449)	(311,683)	(11,907)	(48,247)
		(53,456)	(217,940)	144,784	586,663
<i>Changes in:</i>					
Loans to customers		1,346,225	5,488,559	(92,701)	(375,624)
Other assets		(171,153)	(697,791)	(1,507)	(6,106)
Compulsory deposits		(11,241)	(45,830)	(64,511)	(261,399)
Other liabilities		4,847	19,761	42,656	172,842
Cash generated from operation		1,115,222	4,546,756	28,721	116,376
Provident fund and severance paid		(29,142)	(118,812)	(38,863)	(157,473)
Income tax paid		(16,072)	(65,524)	(1,111)	(4,502)
Net cash generated from/(used in) operating activities		1,070,008	4,362,423	(11,253)	(45,599)
Cash flows from investing activities					
Purchases of property and equipment and Intangible assets		(13,189)	(53,772)	(3,244)	(13,145)
Net cash used in investing activities		(13,189)	(53,772)	(3,244)	(13,145)
Cash flows from financing activities					
Subordinated debts		(2,555)	(10,417)	1,363	5,523
Net cash (used in)/ generated from financing activities		(2,555)	(10,417)	1,363	5,523
Net increase/(decrease) in cash and cash equivalents					
		1,054,264	4,298,234	(13,134)	(53,221)
Cash and cash equivalents at 1 January		23,364	95,208	36,498	146,649
Currency translation difference		-	(34,436)	-	1,780
Cash and cash equivalents at 31 December		1,077,628	4,359,006	23,364	95,208

CONTACT ADDRESS

Head Office

Nº 1SF & 2SF, Street 516, Sangkat Boeng Kak I, Khan Toul Kork, Phnom Penh, Cambodia

Tel ☎ (855) 10 888 876 E-mail ☎ info@seilanithih.com.kh

1. Khan Saen Sokh Branch

Nº 45F, St 371, Phum Trapeanng Chhuk, Sangkat Tuek Thla, Khan Saen Sokh, Phnom Penh

Tel ☎ (855) 93 888 185

E-mail ☎ pnnp@seilanithih.com.kh

3. Pursat Provincial Branch

Nº 412, National Road 5, Sithani Village, Sangkat Svay At, **Krong Pursat**, Pursat Province.

Tel ☎ (855) 93 888 241

E-mail ☎ pur@seilanithih.com.kh

5. Battambang Provincial Branch

Nº 86, National Road 5, Group 3, O Khcheay Village, Prek Preah Sdach Commune, Krong Battambang, Battambang Province.

Tel ☎ (855) 93 888 261

E-mail ☎ btb@seilanithih.com.kh

7. Samlout District Branch

Nº 73, St 1557, Group 5, Ou Tontuem Village, Ta Sanh Commune, Samlout District, Battambang Province.

Tel ☎ (855) 93 888 028

E-mail ☎ slt@seilanithih.com.kh

9. Sampov Lun District

Trapeang Prohit Village, Santepheap Commune, Sampov Lun District, Battambang Province.

Tel ☎ (855) 93 888 057

E-mail ☎ spl@seilanithih.com.kh

11. Thma Puok District Branch

Nº 1, Street 56, Group 1, Kumru Village, Kumru Commune, Thma Puok District, Banteay Meanchey Province.

Tel ☎ (855) 93 888 053

E-mail ☎ tpk@seilanithih.com.kh

2. Moug Ruessei District Branch

National Road 5, Kansai Banteay village, Moug Commune, Moug Ruessei District, Battambang Province.

Tel ☎ (855) 93 888 263

E-mail ☎ mrs@seilanithih.com.kh

4. Kamrieng District Branch

Doung Village, Beong Rang Commune, Kamrieng District, Battambang Province.

Tel ☎ (855) 93 888 072

E-mail ☎ krg@seilanithih.com.kh

6. Banteay Meanchey Provincial Branch

National Road Nº5, Phum Bei, Sangkat Preah Ponlea, Krong Serei Saophoan, Banteay Meanchey Province.

Tel ☎ (855) 93 888 050

E-mail ☎ bmc@seilanithih.com.kh

8. Kampong Cham Provincial Branch

No.144, St. Toul Sbov, Pir Village, Sangkat Veal Vong Krong Kampong Cham, Kampong Cham Province.

Tel ☎ (855) 93 888 076

E-mail ☎ kpc@seilanithih.com.kh

10. Puok District Branch

No. 3953, National Road No. 6, Group 11, Kouk Srok Village, Puok Commune, Puok District, Siemreap Province.

Tel ☎ (855) 93 888 074

E-mail ☎ pok@seilanithih.com.kh

