

PROXIMITY DESIGNS AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2018**

**WIN THIN AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS,**

**PROXIMITY DESIGNS AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PROXIMITY DESIGNS AND ITS SUBSIDIARIES

It is the responsibility of the management to prepare the consolidated financial statements for each fiscal year which gives a true and fair view of the financial position of Proximity Designs (the "Organization") and its subsidiaries (the "Group") as of 30 June 2018 and of its financial performance and its cash flows for the year 1 July 2017 to 30 June 2018. In preparing these consolidated financial statements, the management is required to:

- Select suitable accounting policies and then apply them consistently; and
- Make judgments and estimates that are reasonable and prudent.

The management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Organization. We have general responsibility for taking such steps as are reasonably open to us to safeguard the assets of the Group and of the Organization and to prevent and detect fraud and other irregularities.

On behalf of Management



Michael Van Den Berg
CFO Proximity Designs
Proximity Designs
December 5, 2018



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WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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Ref: 1236/P-67/June 2018

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Proximity Designs
South Pasadena, CA, USA

We have audited the accompanying consolidated statement of financial position of Proximity Designs (a nonprofit organization) and its subsidiaries (the "Group") as of June 30, 2018 and the related statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of Proximity Designs and its subsidiaries in accordance with accounting principles generally accepted in the United States of America. Our responsibility is to express an opinion on these consolidated financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Proximity Designs and its subsidiaries as of June 30, 2018 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Nay Min Thant (PA-466)
Partner
Win Thin & Associates
Certified Public Accountants



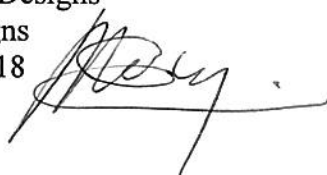
December 5, 2018

PROXIMITY DESIGNS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
Currency – United States Dollars

	Note	Group 2018	Group 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalent		9,044,411	5,662,397
Loans receivable	4	18,099,135	15,717,009
Grants & Pledges Receivable	5	4,676,483	3,372,405
Product inventories	6	351,782	337,341
Prepaid Expense		400,693	178,982
Total Current Assets		32,572,504	25,268,134
NON-CURRENT ASSETS			
Loan Receivable – More than one year	4	12,656	-
Grants & Pledges Receivable	5	1,123,114	2,202,013
Tangible assets, net	7	344,752	354,287
Intangible assets, net	8	60,534	84,127
Other Financial assets	9	2,751,870	-
Total Non-Current Assets		4,292,926	2,640,427
Total Assets		36,865,430	27,908,561
LIABILITIES AND NET ASSETS			
Trade and other payables	10	1,478,466	3,730,956
Borrowings	11	4,630,808	1,554,653
Total Current Liabilities		6,109,274	5,285,609
Borrowings	11	11,919,602	6,589,562
Total Non-Current Liabilities		11,919,602	6,589,562
Total Liabilities		18,028,876	11,875,171
Net Assets			
Unrestricted Net Assets		10,445,946	8,949,408
Temporarily Restricted Net Assets		5,188,922	5,607,296
Permanently Restricted Net Assets		3,201,686	1,476,686
Total Net Assets		18,836,554	16,033,390
Total Liabilities and Net Assets		36,865,430	27,908,561

See Accompanying Notes to the Financial Statements

Michael Van Den Berg
CFO Proximity Designs
Proximity Designs
December 5, 2018



PROXIMITY DESIGNS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Currency – United States Dollars

REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Grant income	2,918,494	4,406,546	-	7,325,040
Private Donations & Public Support	20,584	-	-	20,584
Product Sale income	733,032	-	-	733,032
Service fees income	553,041	-	-	553,041
Interest income	4,977,651	-	-	4,977,651
Others	24,886	-	-	24,886
Net Assets released from restrictions	3,471,517	(3,471,517)	-	-
Total Revenues	12,699,205	935,029	-	13,634,234
EXPENSES				
Yetagon Irrigation	(1,839,479)	-	-	(1,839,479)
Yetagon Farm Advisory Services	(1,953,027)	-	-	(1,953,027)
Proximity Research	(650,177)	-	-	(650,177)
Proximity Finance	(4,632,933)	-	-	(4,632,933)
Total Program Expenses	(9,075,616)	-	-	(9,075,616)
General & Administrative	(1,228,338)	-	-	(1,228,338)
Fundraising	(180,156)	-	-	(180,156)
Total Expenses	(10,484,110)	-	-	(10,484,110)
Surplus/(Deficit)from Operating Activities	2,215,095	935,029	-	3,150,124
Exchange rate adjustment	(2,579)	-	-	(2,579)
Remeasurement Gain/(Loss)	(344,381)	-	-	(344,381)
Total Net Surplus/(Deficit) for the Year	1,868,135	935,029	-	2,803,164
Net assets, beginning of the year	8,949,408	5,607,296	1,476,686	16,033,390
Exchange rate adjustment for opening net asset	(371,597)	(1,353,403)	1,725,000	-
Net Assets, end of the year	10,445,946	5,188,922	3,201,686	18,836,554

See Accompanying Notes to the Financial Statements

Michael Van Den Berg
CFO Proximity Designs
Proximity Designs
December 5, 2018



PROXIMITY DESIGNS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Currency – United States Dollars

REVENUES	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Grant income	7,052,608	1,614,578	-	8,667,186
Private Donations & Public Support	39,014	-	-	39,014
Product Sale income	632,783	-	-	632,783
Service fees income	3,911,201	-	-	3,911,201
Interest income	17,626	-	-	17,626
Others	38,844	-	-	38,844
Net Assets released from restrictions	2,681,350	(2,681,350)	-	-
Total Revenues	14,373,426	(1,066,772)	-	13,306,654
EXPENSES				
Yetagon Irrigation	(1,657,414)	-	-	(1,657,414)
Yetagon Farm Advisory Services	(1,415,631)	-	-	(1,415,631)
Proximity Research	(991,427)	-	-	(991,427)
Proximity Finance	(2,852,251)	-	-	(2,852,251)
Total Program Expenses	(6,916,723)	-	-	(6,916,723)
General & Administrative	(878,307)	-	-	(878,307)
Fundraising	(161,779)	-	-	(161,779)
Total Expenses	(7,956,809)	-	-	(7,956,809)
Surplus/(Deficit)from Operating Activities	6,416,617	(1,066,772)	-	5,349,845
Remeasurement Gain/(Loss)	(980,748)	-	-	(980,748)
Total Net Surplus/(Deficit) for the Year	5,435,869	(1,066,772)	-	4,369,097
Net assets, beginning of the year	3,513,539	6,674,068	1,476,686	11,664,293
Net Assets, end of the year	8,949,408	5,607,296	1,476,686	16,033,390

See Accompanying Notes to the Financial Statements

Michael Van Den Berg
CFO Proximity Designs
Proximity Designs
December 5, 2018



PROXIMITY DESIGNS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Currency – United States Dollars

	2018	2017
Cash flow from operating activities		
Net Surplus (Deficit) for the Year	2,803,164	4,369,097
Adjustment for:		
Depreciation	157,946	135,108
Disposal	64	-
Exchange rate gain	(460,991)	(1,012,178)
Change in operating assets and liabilities:		
(Increase) / Decrease in grants & pledges receivable	(225,179)	(2,535,061)
(Increase) / Decrease in non-grant accounts receivable	(2,394,782)	(3,531,062)
(Increase) / Decrease in product inventory	(14,440)	(73,126)
(Increase) / Decrease in prepaid expenses	(221,711)	289,235
Increase / (Decrease) in trade & other payables	(2,252,490)	75,082
Net cash used in operating activities	(2,608,419)	(2,282,905)
Cash flow from investing activities		
Purchase of property and equipment	(126,170)	(280,494)
Other Financial assets	(2,751,870)	-
Net cash provided by/(used in) investing activities	(2,878,040)	(280,494)
Cash flow from financing activities		
Repayment of short-term borrowing	(3,190,428)	(344,050)
Repayment of long-term borrowing	-	(717,232)
Proceeds from short-term borrowing	343,198	543,935
Proceeds from long-term borrowing	11,715,703	3,622,144
Net cash provided by/(used in) financing activities	8,868,473	3,104,797
Net increase in cash and cash equivalents	3,382,014	541,398
Cash and Cash equivalents at beginning of the year	5,662,397	5,120,999
Cash and Cash equivalents at end of the year	9,044,411	5,662,397

See Accompanying Notes to the Financial Statements

Michael Van Den Berg
CFO Proximity Designs
Proximity Designs
December 5, 2018



Proximity Design and subsidiaries

Statement of Functional Expenses

For the year ended June 30, 2018

	Yetagon Irrigation	Yetagon Farm Advisory	Proximity Research	Proximity Finance	Total Programs	General & Administrative	Fundraising	Proximity Finance Ltd	Proximity Holding Pte Ltd	Overall Total
Cost of good sold	(641,219)	-	-	-	(641,219)	-	-	-	-	(641,219)
Salaries, wages & benefits	(419,011)	(872,112)	(56,634)	(1,521,282)	(2,869,039)	(384,218)	(128,713)	-	-	(3,381,970)
Material & equipment expenses	(2,970)	(86,856)	-	(48,900)	(138,727)	(26,763)	-	-	-	(165,489)
Contract services expenses	(11,965)	(105,145)	(473,788)	(169,026)	(759,923)	(235,839)	(1,714)	-	-	(997,476)
Office expenses	(19,724)	(73,724)	(637)	(161,077)	(255,161)	(33,008)	(893)	-	-	(289,062)
Facility expenses	-	(97,783)	-	(59,189)	(156,972)	(241,719)	-	-	-	(398,691)
Travel & transportation expenses	(103,198)	(113,186)	(3,182)	(178,341)	(397,907)	(10,224)	(13,587)	-	-	(421,718)
Meeting & workshop expenses	(28,143)	(77,627)	(136)	(171,958)	(277,864)	(15,153)	(11,429)	-	-	(304,447)
Other general administrative	(24,668)	(20,952)	(679)	(2,007,103)	(2,053,401)	(73,099)	(108)	(6,601)	(1,192)	(2,134,401)
Direct allocation expenses	(251,438)	(135,608)	-	-	(387,046)	(200,523)	(23,712)	-	-	(611,280)
Allocated Shared Service Center expenses	(337,142)	(370,034)	(115,122)	(316,058)	(1,138,357)	-	-	-	-	(1,138,357)
	(1,839,479)	(1,953,027)	(650,177)	(4,632,933)	(9,075,616)	(1,220,545)	(180,156)	(6,601)	(1,192)	(10,484,110)

See Accompanying Notes to the Consolidated Financial Statements

Proximity Designs and its subsidiaries

Statement of Functional Expenses

For the Year Ended June 30, 2017

	Yetagon Irrigation	Yetagon Farm Advisory Services	Proximity Research	Proximity Finance	Total Programs	General & Administrative	Fundraising	Proximity Finance Co., Ltd.	Proximity Holding Company Pte. Ltd.	Overall Total
Cost of goods sold	(637,395)	-	-	-	(637,395)	-	-	-	-	(637,395)
Salaries, wages & benefits	(322,776)	(606,595)	(141,259)	(1,293,163)	(2,363,793)	(350,452)	(138,413)	-	-	(2,852,658)
Material & equipment expenses	(1,013)	(94,746)	(6,575)	(43,725)	(146,059)	(42,509)	(306)	-	-	(188,874)
Contract services expenses	(432)	(22,985)	(485,323)	(94,750)	(603,490)	(119,195)	(606)	-	-	(723,291)
Office expenses	(15,122)	(33,808)	(1,110)	(78,136)	(128,176)	(13,059)	(525)	-	-	(141,760)
Facility expenses	-	(67,065)	(15,000)	(52,841)	(134,906)	(257,684)	-	-	-	(392,590)
Travel & transportation expenses	(90,343)	(78,366)	(13,308)	(139,523)	(321,540)	(7,418)	(10,873)	-	-	(339,831)
Meeting & workshop expenses	(38,412)	(168,715)	(99,727)	(162,389)	(469,243)	(10,684)	(10,768)	-	-	(490,695)
Other general administrative	(14,565)	(28,905)	(2,390)	(772,543)	(818,403)	(69,565)	(288)	(4,527)	(3,214)	(895,997)
Direct allocation expenses	(300,345)	(97,751)	(3,271)	-	(401,367)	-	-	-	-	(401,367)
Allocated shared service centre expenses	(237,011)	(216,695)	(223,464)	(215,181)	(892,351)	-	-	-	-	(892,351)
Total expenses	(1,657,414)	(1,415,631)	(991,427)	(2,852,251)	(6,916,723)	(870,566)	(161,779)	(4,527)	(3,214)	(7,956,809)

See Accompanying Notes to the Consolidated Financial Statements

PROXIMITY DESIGNS AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Currency – United States Dollars

1. Organization and Nature of Activities

Proximity Designs (the “Organization”) and its subsidiaries (the “Group”) is a not-for-profit 501(c)(3) corporation registered in the State of California with sole operations in Myanmar. The Organization’s mission is to increase the productivity and income of rural households in Myanmar by designing and disseminating innovative products and services.

The Organization has signed a Memorandum of Understanding with the Ministry of Livestock, Fisheries and Rural Development. The Organization operates throughout Myanmar in Kayin, Mon, Shan, Ayeyarwaddy, Bago, Magway, Mandalay, Sagaing and Yangon states.

The Organization also holds a microfinance license from the Myanmar Ministry of Planning and Finance and provides financial services to rural customers.

Active programs are:

- Irrigation equipment (“Yetagon Irrigation”) designs, produces and sells low-cost irrigation products to boost efficiency and yields for smallholder farmers.
 - Product Loans (“Yetagon Credit”) is now reported as part of Yetagon Irrigation. Financing for the purchase of irrigation products through installment plans.
- Farm Advisory Services (“Yetagon Farm Advisory Services”) teaches ‘best-fit’ agronomy techniques and farm advisory services for rice farmers through field agronomists
- Proximity Research conducts macroeconomic and policy research to offer guidance to policymakers and key stakeholders involved in nation-building in Myanmar
- Micro Finance (“Proximity Finance”) offers financial products designed for smallholder farmer credit needs including loans for crops, livestock, migration costs for rural labor and small enterprise loans.

Programs finished last two fiscal years;

- Solar Lights (“Yetagon Energy”) distributed solar lanterns to rural families in Myanmar.

2. Summary of significant accounting policies

Basis of Presentation

The Group reports information regarding its consolidated financial position and activities according to three classes of net assets: *unrestricted*, *temporarily restricted* and *permanently restricted net assets*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Permanently restricted: Those donor imposed restrictions that states that the donation must be maintained permanently but may permit the organization to use up or expend part or all of the income derive from it is related investment.

Temporarily restricted: Those donor imposed restrictions may be for a particular purpose or program or for use in a specified time period.

Unrestricted: Those have no donor-imposed restrictions.

Method of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Foreign Currency Transactions

The consolidated financial statements are presented in U.S. Dollars which, based on management's assessment of facts and circumstances, is the Group's and the Organization's functional currency and reporting currency.

Transactions in currencies other than U.S. Dollars are converted into U.S. Dollars using monthly exchange rates. The monthly exchange rates are determined at the first day of each month based on the rates published by the Central Bank of Myanmar. At the reporting date, monetary assets and liabilities denominated in foreign currency are converted into U.S. Dollars at the rate of reporting date 30th June for the respective years. Non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rates using monthly exchange rates.

Income Taxes

Proximity Designs has been recognized by the Internal Revenue Service as an organization that is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code and has been recognized by the Franchise Tax Board as an organization that is exempt from income and franchise tax under Section 23701(d) of the California Revenue and Taxation Code, except for taxes on net unrelated business income.

In accordance with FASB ASC 740, Uncertainty in Income Taxes, Proximity Designs recognizes the impact of positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization is subject to US federal and California state tax jurisdictions. Proximity Designs has evaluated its tax positions for the open tax year of June 30, 2017 through June 30, 2018 for federal tax purposes and June 30, 2017 through June 30, 2018 for California tax purposes.

As of June 30, 2018 and for the year then ended, Proximity has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements or which may have an effect on its tax exempt status nor is a material change to uncertain tax positions anticipated during the 12 months following June 30, 2018.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit, savings and money market accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity date that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with original maturity dates within three months of the acquisition date.

Loans receivable

Loans receivable consist of receivables recorded upon recognition of revenue based on contractual arrangements reduced by reserves for estimated bad debts. The allowance for doubtful accounts is determined based on historical write-off experience, current customer information and other relevant factors, including specific identification of past due accounts. Accounts are charged off against the allowance when Proximity determines they are uncollectible.

Part of the loans receivable balance consist of receivables from customers that purchased our irrigation product on credit. The maximum duration of these types of loans is 5 months.

Proximity Finance (microfinance business unit of Proximity Designs) recognizes issued loans in its balance if Proximity Finance enters into a contractual relation, as result of which it acquires legitimate rights to receive cash as repayment of issued loans. Proximity Finance terminates

recognition of a loan when it loses control over the contractual rights. Initially, loans are recognized for the amounts actually issued. Subsequent evaluation of loans is reduced for repayments and in case of the Company's decision for partial or full writes off. The payment terms vary according to type of the loans and the seasonality of the crop.

Inventories

Inventories consist of finished goods, raw materials, work in progress and purchased inventory. Manufacturing activities revolve around the needs of the rural farmers that Proximity serves. Cost is determined using the moving average cost method.

Tangible assets, net

Tangible assets are recorded at cost or, if donated, at estimated fair value at the date of donation. The cost of additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Proximity Designs capitalized assets with an original cost over \$1,000. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. The provision for depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Building and improvements	30-50 years
Automobiles, furniture, fixtures and equipment	3-10 years

Leasehold improvements are amortized using the useful life of the asset or the remaining lease term, whichever is shorter.

The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives. Fully depreciated assets are kept on the books until disposed.

Intangible Assets, net

Group recognizes software as an intangible asset.

Intangible assets are accounted at their historical cost less accumulated amortization and – if necessary – less accumulated additional capital allowances.

Amortisation is calculated by the straight-line method during the useful life.

Investment in Subsidiary

The Organization had the following subsidiaries as at 30 June 2018:

Proximity Finance Co., Ltd, incorporated in Myanmar, is 99% owned by Proximity Holding Company Pte. Ltd. and 1% owned by Proximity Designs. The principal activity is to provide micro-finance service to rural area in Myanmar.

Proximity Holding Company Pte. Ltd., incorporated in Singapore, is also wholly-owned by Proximity Designs. The principal activity is to invest in Proximity Finance Co., Ltd in Myanmar.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been detailed in the statement of functional expenses and summarized in the statement of activities.

Salaries and related expenses are allocated to program services and supporting services on the basis of the actual time devoted to those activities. Other expenses have been charged directly or allocated using various bases as determined by management.

In certain instances, common expenses are incurred, which support the activities of more than one program. In absence of agreements to the contrary, such expenses are allocated on the basis that appears most reasonable to management.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. If this would happen, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs would have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

In-kind Contributions

In-kind contributions, including volunteer services and other non-cash contributions, when required by generally accepted accounting principles, are reflected as contributions and expenses at their estimated fair values when received. For the year ended June 30, 2018 and June 30, 2017, no in-kind contributions were received.

Contributions

Contributions primarily include unconditional transfers of cash or other assets. Contributions, whether temporarily restricted, permanently restricted or unrestricted, are recognized as revenue when they are received. Unconditional promises to give are recorded at net realizable value on the date the promise is received.

Products & Services Revenue

Revenues are measured at the fair value of the consideration received or receivable by net of sales tax, trade discounts and customer returns. The Company generates revenue mainly selling affordable irrigation products to low income farmers and by providing microfinance loans.

For the sales of irrigation products, the Company recognized as sales income once the product has been delivered to the farmers. Interest income for loans are recognized on effective accrual basis using automatic interest accrual. Fee income, other than insurance fee, are recognized upon payment date.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include determination of accounts receivable allowance and imputed interest rate on non-interest bearing loan. Actual results could differ from those estimates.

3. Concentration of Credit Risk

Proximity Designs has deposits in foreign institutions not covered by U.S federal deposit in insurance of approximately \$4,435,946 (2017: \$1,593,405). Proximity Designs also has deposits in U.S financial institutions in excess of FDIC insurance limits of approximately \$4,139,101 (2017: \$3,773,168). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit on cash and cash equivalents at this time.

4. Loans receivable

Details are as follows:

	Group	
	2018	2017
Product installment loans	43,089	32,458
Proximity Finance loans	17,568,381	15,024,536
Proximity Finance accrued interest receivable	731,807	760,484
Staff equipment loans & advance	67,902	72,888
Other receivables	-	11,460
	18,411,179	15,901,826
Less: Provision for uncollectable loans	(299,388)	(184,817)
	18,111,791	15,717,009

5. Grants & Pledges Receivable

As of June 30, 2018 grantors to Proximity Designs have made unconditional promises to give totaling \$5,799,597. Grants due in more than one year have been recorded at the present value of the estimated cash flows using a discount rate of 8%. Grants are due as follow as of June 30, 2018:

	Group	
	2018	2017
Less than One Year	4,676,483	3,372,405
One to five years	1,250,000	2,366,049
Allowance to discount balance to Present Value	(126,886)	(164,036)
	5,799,597	5,574,418

6. Product inventories

Details are as follows:

	Group	
	2018	2017
Raw materials	104,627	132,094
Work in progress	31,869	52,117
Irrigation Finished goods	211,294	148,871
Manufacturing Mould	3,992	4,259
	351,782	337,341

7. Tangible assets, net

Details are as follows:

	Group	
	2018	2017
Cost		
Vehicles	259,405	257,488
Furniture and Equipment	303,488	234,050

Manufacturing Equipment	10,756	10,756
Building	194,791	6,223
Exchange rate adjustment	(3,671)	(10,362)
	764,769	498,155
Addition		
Vehicle	2,470	3,146
Furniture and equipment	64,612	78,571
Manufacturing Equipment	761	0
Building	31,510	188,567
	99,353	270,284
Disposal		
Vehicles	(48,174)	-
Furniture and Equipment	(87,295)	-
Manufacturing Equipment	(7,391)	-
	(142,860)	-
Less: Accumulated depreciation		
Opening depreciation	(414,152)	(332,038)
For the year depreciation	(107,536)	(89,117)
Less: Accumulated depreciation for disposed item	142,796	
Exchange rate adjustment	2,382	7,003
	(376,510)	(414,152)
Balance as at June 30	344,752	354,287

8. Intangible assets, net

Details are as follows:

	Group 2018	2017
Cost		
Software SAP	227,263	217,053
	227,263	217,053
Addition		
Software SAP	25,830	10,210
HCM Payroll Software-VDB Loi	987	-
	26,817	10,210
Disposal		
Software SAP	(6,777)	-
	(6,777)	-
Less: Accumulated depreciation		
Opening amortization	(143,136)	(97,145)
For the year amortization	(50,410)	(45,991)
Less: Accumulated amortization for disposed item	6,777	-
	(186,769)	(143,136)
Balance as at June 30	60,534	84,127

9. Other financial assets

During in the fiscal year 2018, we received back to back loan from YOMA and we had given to them \$2,660,000 as a collateral as at 30 June 2018.

The Organization had made an investment in a start-up organization called “Tun Yat” which is involved with harvester leasing to smallholder farmers in Myanmar. The investment amounts is \$91,870 as per 30 June 2018. This is the equivalent of 11.48% of the company, which is valued at \$800,000.

10. Trade and other payables

Details are as follows:

	Group 2018	2017
Deferred Revenue*	351,963	712,317
Accounts Payable/Accrued Expense**	949,907	1,140,238
Proximity Health Group Fund	70,824	47,584
Credit cards	7,204	3,933
Employee Tax and unused leave days	96,332	286,082
Other Creditors Due Within One Year	2,236	(1,875)
Customer fixed deposit	-	1,541,400
Provision	-	1,277
	1,478,466	3,730,956

Details are as follows:

*Deferred revenue includes as following, \$262,585 is LIFT financial inclusion project for Proximity Finance program, \$67,969 Cordaid grant to support technical assistance to Proximity Finance program and \$21,409 Cordaid grant to support transformation project for Proximity Finance program.

**Accounts Payable / Accrued Expense include the following,

	Group 2018	2017
Consultant fees for Proximity Research	440,017	385,080
Deferred compensation	209,328	261,501
Interest expense accrued	121,951	199,970
Management Fees	-	109,450
Other	127,543	102,913
Withholding Tax	17,533	29,169
Accounting & Audit Fees	33,535	52,155
	949,907	1,140,238

11. Borrowings

Short Term Loans Payable consist of the following at 30 June, 2018:

- (a) \$1,091,920 to Grameen Credit Agricole will be due on 15 June 2019.
- (b) \$ 390,028 to Cordaid will be due on 19 June 2018.
\$ 1,073,222 to Cordaid will be due on 21 March 2019.
- (c) \$375,000 to MCE Social Capital will be due on 29 March 2019.
- (d) \$1,700,638 to Yoma Bank will be due on 27 September 2019.

Long term borrowings includes

- (a) \$195,014 from Cordaid will be due on 19 December 2019.
\$1,073,222 from Cordaid will be due on 20 March 2020.
- (b) \$1,091,920 is from Grameen Credit Agricole (GCA). The maturity date is 15 June 2020 .
- (c) \$2,268,582 from LIFT Financial Inclusion with zero interest rate per annum. This loan shall be converted to the grant fund when the conditions stated in the agreement are met.
- (d) \$1,453,640 from Alterfin will be due on 3 January 2022.
- (e) \$953,451 from FMO will be due on 15 November 2021.
- (f) \$1,125,000 from MCE Social Capital will be due on 30 September 2020.
- (g) \$722,554 from Symbiotic SA will be due on 21 September 2019.
- (h) \$3,036,219 from Yoma bank will be due on 21 September 2020.

12. Retirement Plan

The Organization established a 403(b) (7) retirement plan effective January 1, 2012 for eligible employees. The plan is funded by employees contributing a portion of their salary to the plan. The organization reserves the right to make non-elective discretionary contribution to the plan. A contribution to the plan of \$43,200 was made by Proximity to the 2016 and 2017 plan year.

13. Operating Leases

The Organization leases its offices, manufacturing space and vehicles under various operating lease agreements that renew annually. The lessor and lessee share maintenance responsibilities, depending on the nature of the repair. The lessor is responsible for all taxes and insurance, with the exception of liability insurance, which is the responsibility of the lessee. Rental expense under the leases for the year ended June 30, 2018 was \$382,218 (2017: \$371,555).

	Group	
	2018	2017
Not later than one year	430,778	418,869
Between one and five years	1,949,540	1,895,645
Later than five years	2,380,318	2,314,514

14. Subsequent Events

The Group has evaluated events or transactions that occurred subsequent to the statement of consolidated financial position date through December 5, 2018, the date of the accompanying consolidated financial statements were available to be issued, for potential recognition or disclosure in the consolidated financial statements. Events occurring after that date have been evaluated to determine whether a change in the consolidated financial statements would be required.

The transfer of the assets and liabilities in use for the microfinance activities from Proximity Designs to its subsidiary Proximity Finance Microfinance Company Limited will take place within the first six months from the date of fiscal year ended 30 June 2018.

Michael Van Den Berg
CFO Proximity Designs
Proximity Designs
December 5, 2018

A handwritten signature in black ink, appearing to read 'M. Van Den Berg', is written over a horizontal line.