

Registration No:
00003008

**PRASETHPHEAP FINANCE PLC.
(INCORPORATED IN CAMBODIA)**

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2019**

Registration No:
00003008

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:

Oknha Dr. Quach Mengly
Mr. Long Pisey
Mr. Kong Vara

REGISTERED OFFICE:

#132, Street 193, Corner of Street 388
Sangkat Toul Svay Prey I
Khan Chamkarmon, Phnom Penh
Kingdom of Cambodia

PRINCIPAL BANKERS:

National Bank of Cambodia
Aceda Bank Plc.
Phillip Bank Plc.
Prince Bank Plc.
Rural Development Bank

AUDITORS:

BDO (Cambodia) Limited

Registration No:
00003008

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 4
INDEPENDENT AUDITORS' REPORT	5 - 7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF COMPREHENSIVE INCOME	9
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF CASH FLOWS	11 - 12
NOTES TO THE FINANCIAL STATEMENTS	13 - 37



**PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)**

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of Prasethpheap Finance Plc. ("the Company") for the financial year ended 31 December 2019.

Principal activities

The principal activities of the Company are to provide credit service and other financial services to low income families in the Kingdom of Cambodia. There have been no significant changes in the nature of these activities during the financial year.

Results of operations

Profit for the financial year

US\$	KHR'000
76,556	311,965

Dividends

Dividends paid since the end of the previous financial year were as follows:

	US\$
In respect of financial year ended 31 December 2017: Final dividend of US\$0.016 per ordinary share, paid on 3 October 2019	46,890
In respect of financial year ended 31 December 2018: Final dividend of US\$0.016 per ordinary share, paid on 3 October 2019	47,218
	<u>94,108</u>

Reserves and provisions

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

Bad and doubtful loans

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans and satisfied themselves that all known bad loans had been written off and that adequate allowance had been made for doubtful loans.

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

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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

Change of circumstances

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

Items of an unusual nature

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

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

Share capital

The Company did not issue any shares during the current financial year.

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

PRASETHPIHEAP FINANCE PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Directors

The Directors who have held for office since the date of the last report are:

Oknha Dr. Quach Mengly
Mr. Long Pisey
Mr. Kong Vara

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the 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, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 29 to the financial statements.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

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

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

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Significant event subsequent to the end of the reporting period

The significant event subsequent to the end of the reporting period is disclosed in Note 32 to the financial statements.

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 8 to 37 have been drawn up in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board,



Oknha Dr. Quach Mengly
Chairman



Mr. Moc Nach
Chief Executive Officer

Phnom Penh, Cambodia
Date: 30 September 2020

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)
(Registration No: 00003008)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prasethpheap Finance Plc. ("the Company"), which comprise statement of financial position as at 31 December 2019, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies, as set out on pages 8 to 37.

The financial statements of the Company for the financial year ended 31 December 2018 was audited by another firm of Certified Public Accountants, whose report dated 30 April 2019 expressed an unqualified opinion on those statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants and Auditors* of the Kampuchea Institute of Certified Public Accountants and Auditors ("Code of Ethics") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)
(Registration No: 00003008) (continued)**

**Information Other than the Financial Statements and Auditors' Report Thereon
(continued)**

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

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are 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 the Director either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)
(Registration No: 00003008) (continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- 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 the Directors.
- 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 of the Company 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 of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

Other Matters

This report is made solely to the shareholders of the Company, as a body. We do not assume responsibility to any other person for the content of this report.



BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 30 September 2020

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019		2018
		US\$	KHR'000	US\$ (restated)
ASSETS				
Cash on hand	6	40,470	164,915	38,604
Balances with National Bank of Cambodia	7	147,494	601,038	147,004
Balances with other banks	8	327,785	1,335,724	44,216
Loans to customers	9	4,226,180	17,221,684	4,178,459
Other receivables	10	162,333	661,507	177,235
Property and equipment	11	80,197	326,803	117,348
Intangible assets	12	32,797	133,648	1,678
Deferred tax assets	13	22,977	93,631	18,397
TOTAL ASSETS		5,040,233	20,538,950	4,722,941
LIABILITIES AND EQUITY				
LIABILITIES				
Borrowings	14	1,477,035	6,018,918	1,074,086
Other payables	15	86,480	352,407	108,420
Current tax liabilities		13,112	53,431	59,277
TOTAL LIABILITIES		1,576,627	6,424,756	1,241,783
EQUITY				
Share capital	16	2,915,766	11,881,746	2,915,766
Share premium		63,078	257,043	63,078
Other capital	17	190,000	774,250	190,000
Reserves	18	84,468	344,207	96,677
Retained earnings		210,294	856,948	215,637
TOTAL EQUITY		3,463,606	14,114,194	3,481,158
TOTAL LIABILITIES AND EQUITY		5,040,233	20,538,950	4,722,941

The accompanying notes form an integral part of the financial statements.

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019		2018
		US\$	KHR'000	US\$ (restated)
Interest income	19	932,019	3,797,977	889,509
Interest expense	20	(136,423)	(555,924)	(110,096)
Net interest income		795,596	3,242,053	779,413
Allowance for credit facilities	21	(30,899)	(125,913)	-
Other operating income	22	15,176	61,842	14,860
Personnel expenses	23	(437,144)	(1,781,362)	(412,363)
Depreciation and amortisation expenses	24	(47,345)	(192,931)	(44,679)
General and administrative expenses	25	(229,046)	(933,362)	(201,288)
Profit before tax		66,338	270,327	135,943
Taxation	26	10,218	41,638	(56,847)
Profit for the financial year		76,556	311,965	79,096
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the financial year		76,556	311,965	79,096

The accompanying notes form an integral part of the financial statements.

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US\$	Share premium US\$	Other capital US\$	Reserves US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2018, as previously reported		2,915,766	63,078	190,000	6,901	158,597	3,334,342
Effect of adoption of CIFRS for SMEs	33	-	-	-	76,387	(8,667)	67,720
Balance as at 1 January 2018, as restated		2,915,766	63,078	190,000	83,288	149,930	3,402,062
Profit for the financial year, representing total comprehensive income		-	-	-	-	79,096	79,096
Transaction with owners							
Transfer to reserves, representing total transaction with owners		-	-	-	13,389	(13,389)	-
Balance as at 31 December 2018/1 January 2019, as restated		2,915,766	63,078	190,000	96,677	215,637	3,481,158
Profit for the financial year, representing total comprehensive income		-	-	-	-	76,556	76,556
Transactions with owners							
Transfer to reserves		-	-	-	(12,209)	12,209	-
Dividends paid	27	-	-	-	-	(94,108)	(94,108)
Total transactions with owners		-	-	-	(12,209)	(81,899)	(94,108)
Balance as at 31 December 2019		2,915,766	63,078	190,000	84,468	210,294	3,463,606
<i>(KHR '000 equivalent)</i>		<i>11,881,746</i>	<i>257,043</i>	<i>774,250</i>	<i>344,207</i>	<i>856,948</i>	<i>14,114,194</i>

The accompanying notes form an integral part of the financial statements.

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019		2018
		US\$	KHR'000	US\$
				(restated)
Cash flows from operating activities				
Profit before tax		66,338	270,327	135,943
Adjustments for:				
Allowance for doubtful loans	9	30,899	125,913	-
Amortisation of intangible assets	12	7,794	31,761	1,990
Depreciation of property and equipment	11	39,551	161,170	42,689
Interest expense	20	136,423	555,924	110,096
Property and equipment written-off		-	-	145
Reversal of impairment for loans to customers	9	-	-	(142)
Operating profit before working capital changes		281,005	1,145,095	290,721
Changes in working capital				
Loans to customers		(78,620)	(320,377)	(194,072)
Other receivables		14,902	60,726	(22,126)
Other payables		(25,881)	(105,466)	63,616
Cash generated from operations		191,406	779,978	138,139
Income tax paid		(132,482)	(539,864)	(104,679)
Interest paid		(40,527)	(165,148)	(17,150)
Net cash from operating activities		18,397	74,966	16,310
Cash flows from investing activities				
Purchase of property and equipment	11	(2,400)	(9,780)	(6,688)
Purchase of intangible assets	12	(38,913)	(158,570)	-
Net cash used in investing activities		(41,313)	(168,350)	(6,688)
Cash flows from financing activities				
Drawdown of borrowings		(924,086)	(3,765,650)	(2,113,306)
Repayments of borrowings		1,327,035	5,407,668	2,060,000
Dividends paid		(94,108)	(383,490)	(54,452)
Net cash from/(used in) financing activities		308,841	1,258,528	(107,758)
Net increase/(decrease) in cash and cash equivalents		285,925	1,165,144	(98,136)
Cash and cash equivalents at beginning of financial year		84,036	342,447	182,172
Cash and cash equivalents at end of financial year		369,961	1,505,791	84,036

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

Cash and cash equivalents comprise the following:

	Note	2019		2018
		US\$	KHR'000	US\$ (restated)
Cash on hand	6	40,470	164,915	38,604
Balances with National Bank of Cambodia (excluding statutory deposit)	7	1,706	6,952	1,216
Balances with other banks	8	327,785	1,335,724	44,216
		<u>369,961</u>	<u>1,505,791</u>	<u>84,036</u>

PRASETHPHEAP FINANCE PLC.
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. CORPORATE INFORMATION

Prasethpheap Finance Plc. (“the Company”) is a public limited company incorporated in Cambodia under registration number 00003008 dated 2 March 2016, issued by the Ministry of Commerce (“MoC”).

The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a microfinance institution on 31 August 2016.

Prior to 2 March 2016, the Company’s activities were carried out by the Pracheacheat Finance Organisation (“PFO”). As of 1 March 2016, PFO has transferred substantially all its net assets to the Company.

The registered office and principal place of business of the Company is #132, Street 193, Cornor of Street 388, Sangkat Tuol Svay Prey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.

The financial statements are presented in United States Dollar (“US\$”), which is also the Company’s functional currency.

The financial statements were authorised for issue by the Board of Directors on 30 September 2020.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are to provide credit service and other financial services to low income families in the Kingdom of Cambodia. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRSs for SMEs”) as issued by the National Accounting Council of the Ministry of Economy and Finance and the guidelines issued by the NBC relating to the preparation and presentation of financial statements.

In the previous financial year, the Company’s financial statements were prepared in accordance with Cambodian Accounting Standards (“CAS”) and the effects of the adoption of CIFRS for SMEs are disclosed in Note 33 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with CIFRSs for SMEs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the financial statements. Although these estimates and assumptions are based on the Directors’ best knowledge of events and actions, actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of accounting (continued)

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss items in foreign currencies at the end of the reporting year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the end of the reporting year, US\$1 = KHR4,075 (2018: US\$1 = KHR4,018). Such conversions should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into US\$ at this or any other rate of exchange.

4.2 Balances with National Bank of Cambodia

Balances with National Bank of Cambodia are carried at amortised cost using effective interest method. Balances with National Bank of Cambodia represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions (“LBFI”). Statutory deposits are not available to finance the Company’s day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

4.3 Property and equipment

All items of property and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Leasehold improvements	5 years
Furniture and fittings	4 years
Office equipment	4 years
Computer equipment	4 years

At the end of each reporting period, the carrying amount of an item of property and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.5 to the financial statements on impairment of non-financial assets).

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.6 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4.7 Financial instruments

An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is recognised initially at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

Loans to customers and other receivables are recognised initially at the transaction price. Subsequently they are measured at amortised cost using the effective interest method, less any impairment. Loans to customers are made on normal credit terms and loan receivables bear interest. At the end of each reporting period, the carrying amounts of loans to customers and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Other payables and borrowings are recognised initially at transaction price. After initial recognition they are measured at amortised cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

4.8 Impairment of financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

The Company collectively considers factors such as the probability of bankruptcy or significant financial difficulties, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. Other factors may also be evidence of impairment, including the restructuring of a loan, disappearance of an active market for a security and adverse changes that have taken place in the economic environment.

If there is objective evidence that an impairment loss has been incurred for loans which are deemed to be individually significant, the amount of loss is measured as the difference between the carrying amount of loans and the present value of estimated future cash flows discounted at the original effective interest rate of the loans. The carrying amount of the loans is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the statement of comprehensive income.

Loans which are not individually significant and that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

If, in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Regulatory reserve

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

NBC guidelines require microfinance institutions to classify their loan portfolio into the following five classes and ensure that the minimum mandatory level of specific allowance is made:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
General		
Normal	0 - 14 days	1%
Specific		
Special mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%
Long-term loans (more than one year):		
General		
Normal	0 - 29 days	1%
Specific		
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73 of Prakas No. B7-017-344 Pro Kor, the Company shall compare the allowance calculated in accordance with above requirements and the Company's allowance recorded under CIFRS for SMEs:

- If the regulatory allowance is lower, the Company records the allowance calculated in accordance with CIFRS for SMEs; and
- If the regulatory allowance is higher, the Company records the allowance calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings to regulatory reserve in equity.

4.10 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of comprehensive income comprise current tax and deferred tax.

- Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Income taxes (continued)

(b) Deferred tax

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their corresponding tax bases. The tax bases of assets are determined by the consequences of sale of the assets.

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future, except those associated with goodwill. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss, unless attributable to an item in other comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which management expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.11 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.12 Interest recognition

(a) Interest income

Interest income is recognised using the effective interest method.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' loan accounts are classified as non-performing where repayments are in arrears for 30 days and more.

(b) Fees and commission income

The Company earns fee and commission income mainly from early settlements of loans, penalties and loan monitoring. They are recognised in the statement of comprehensive income on an accrual basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Termination benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Company has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

4.14 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The national currency of Cambodia is Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar ("US\$"), management have determined United States Dollar to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.15 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

5.2 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with below.

5.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property and equipment

The cost of property and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property and equipment based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment on loans to customers

The Company makes allowance for losses on loan to customers based on assessment of their recoverability. Impairment is applied to loan to customers where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses estimated amount and timing of cash flows as well as net realisable value of the underlying collateral value, when making a judgement to evaluate the adequacy of impairment. Where expectations differ from the original estimate, the differences would impact the carrying amount of loans to customers.

(c) Tax expense

Significant judgement is involved in determining the Company's provision for taxes. The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through management's interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

6. CASH ON HAND

	2019		2018
	US\$	KHR'000	US\$
Cash on hand	40,470	164,915	38,604

7. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2019		2018
	US\$	KHR'000	US\$
Statutory deposit	145,788	594,086	145,788
Current account	1,706	6,952	1,216
	<u>147,494</u>	<u>601,038</u>	<u>147,004</u>

Statutory deposit

In compliance with Prakas B7-00-006 Pro Kor dated 11 January 2000 and B7-06-209 Pro Kor dated 13 September 2006 on the Licensing of Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the NBC of 5% of registered capital. This deposit is refundable should the Company voluntarily liquidate.

8. BALANCES WITH OTHER BANKS

	2019		2018
	US\$	KHR'000	US\$
ACLEDA Bank Plc.	319,227	1,300,850	43,285
Phillip Bank Plc.	4,771	19,442	919
Prince Bank Plc.	3,765	15,342	-
Rural Development Bank	22	90	12
	<u>327,785</u>	<u>1,335,724</u>	<u>44,216</u>

9. LOANS TO CUSTOMERS

	2019		2018
	US\$	KHR'000	US\$
Loans to customers	4,227,466	17,226,924	4,181,807
Allowance for doubtful loans	(1,286)	(5,240)	(3,348)
	<u>4,226,180</u>	<u>17,221,684</u>	<u>4,178,459</u>

(a) Allowance for doubtful loans

	2019		2018
	US\$	KHR'000	US\$
Balance at beginning of year	3,348	13,643	3,490
Allowance for the year	30,899	125,913	-
Reversal for the year	-	-	(142)
Written-off	(32,961)	(134,316)	-
	<u>1,286</u>	<u>5,240</u>	<u>3,348</u>

9. LOANS TO CUSTOMERS (continued)

(b) By maturity

	2019		2018
	US\$	KHR'000	US\$
Within one year	4,314	17,580	12,208
From one to five years	4,223,152	17,209,344	4,169,599
	<u>4,227,466</u>	<u>17,226,924</u>	<u>4,181,807</u>

(c) By currency

	2019		2018
	US\$	KHR'000	US\$
US Dollar	3,585,964	14,612,803	3,900,159
Khmer Riel	641,502	2,614,121	281,648
	<u>4,227,466</u>	<u>17,226,924</u>	<u>4,181,807</u>

(d) By economic sector

	2019		2018
	US\$	KHR'000	US\$
Household/Family	3,012,422	12,275,619	1,966,711
Agriculture	117,396	478,389	244,000
Transportation	37,637	153,371	78,987
Trade and commerce	306,140	1,247,521	688,555
Service	19,434	79,194	18,333
Construction	655,592	2,671,537	1,067,474
Others	78,845	321,293	117,747
	<u>4,227,466</u>	<u>17,226,924</u>	<u>4,181,807</u>

(e) By relationship

	2019		2018
	US\$	KHR'000	US\$
External loans	4,159,166	16,948,601	4,064,060
Staff loans	68,300	278,323	117,747
	<u>4,227,466</u>	<u>17,226,924</u>	<u>4,181,807</u>

9. LOANS TO CUSTOMERS (continued)

(f) By performance

	2019		2018
	US\$	KHR'000	US\$
Standard loans:			
Secured	4,026,680	16,408,721	3,841,042
Unsecured	140,500	572,538	254,574
Special mention:			
Secured	10,202	41,573	11,569
Unsecured	3,081	12,555	11,072
Sub-standard loans:			
Secured	9,529	38,831	8,007
Unsecured	-	-	10,926
Doubtful loans:			
Secured	26,256	106,993	5,780
Loss loans:			
Secured	11,218	45,713	32,207
Unsecured	-	-	6,630
	<u>4,227,466</u>	<u>17,226,924</u>	<u>4,181,807</u>

(g) By exposure

	2019		2018
	US\$	KHR'000	US\$
Large exposures	-	-	-
Non-large exposures	<u>4,227,466</u>	<u>17,226,924</u>	<u>4,181,807</u>
	<u>4,227,466</u>	<u>17,226,924</u>	<u>4,181,807</u>

A “large exposure” is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Company’s net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

10. OTHER RECEIVABLES

	2019		2018
	US\$	KHR'000	US\$
Other receivables			
Interest receivables	45,106	183,807	46,287
Other receivables	<u>13,378</u>	<u>54,515</u>	<u>19,492</u>
	<u>58,484</u>	<u>238,322</u>	<u>65,779</u>
Deposits and prepayments			
Deposits	90,037	366,901	91,837
Prepayments	<u>13,812</u>	<u>56,284</u>	<u>19,619</u>
	<u>103,849</u>	<u>423,185</u>	<u>111,456</u>
	<u>162,333</u>	<u>661,507</u>	<u>177,235</u>

11. PROPERTY AND EQUIPMENT

	Leasehold Improvements US\$	Furniture and fittings US\$	Office equipment US\$	Computer equipment US\$	Total US\$
<i>Cost</i>					
Balance as at 1.1.2018	132,693	6,274	41,450	31,437	211,854
Additions	296	-	1,920	4,472	6,688
Written-off	-	(1,295)	(1,120)	(1,046)	(3,461)
Balance as at 31.12.2018	132,989	4,979	42,250	34,863	215,081
Additions	-	-	2,400	-	2,400
Balance as at 31.12.2019	132,989	4,979	44,650	34,863	217,481
<i>Accumulated depreciation</i>					
Balance as at 1.1.2018	18,846	4,934	18,125	16,455	58,360
Depreciation for the year	26,546	762	8,340	7,041	42,689
Written-off	-	(1,249)	(1,118)	(949)	(3,316)
Balance as at 31.12.2018	45,392	4,447	25,347	22,547	97,733
Depreciation for the year	26,461	371	7,663	5,056	39,551
Balance at 31.12.2019	71,853	4,818	33,010	27,603	137,284
<i>Carrying amounts</i>					
Balance as at 31.12.2019	61,136	161	11,640	7,260	80,197
<i>(KHR '000 equivalent)</i>	<i>249,129</i>	<i>656</i>	<i>47,434</i>	<i>29,584</i>	<i>326,803</i>
Balance as at 31.12.2018	87,597	532	16,903	12,316	117,348

12. INTANGIBLE ASSETS

	Software license US\$
<i>Cost</i>	
Balance as at 1.1.2018	10,250
Additions	-
Balance as at 31.12.2018	10,250
Additions	38,913
Balance as at 31.12.2019	49,163
<i>Accumulated amortisation</i>	
Balance as at 1.1.2018	6,582
Amortisation for the year	1,990
Balance as at 31.12.2018	8,572
Amortisation for the year	7,794
Balance at 31.12.2019	16,366
<i>Carrying amounts</i>	
Balance as at 31.12.2019	32,797
<i>(KHR'000 equivalent)</i>	<i>133,648</i>
Balance as at 31.12.2018	1,678

13. DEFERRED TAX

The components and movements of deferred tax assets are as follows:

	At 1.1. 2019 US\$	Recognised in profit or loss (Note 26) US\$	Recognised in other comprehensive income US\$	At 31.12.2019 US\$
Property and equipment	745	3,206	-	3,951
Provision	17,652	1,374	-	19,026
	18,397	4,580	-	22,977
<i>(KHR'000 equivalent)</i>	<i>74,967</i>	<i>18,664</i>	-	<i>93,631</i>
	At 1.1. 2018 US\$	Recognised in profit or loss (Note 26) US\$	Recognised in other comprehensive income US\$	At 31.12.2018 US\$
Property and equipment	(1,188)	1,933	-	745
Provision	8,104	9,548	-	17,652
	6,916	11,481	-	18,397

14. BORROWINGS

	2019		2018
	US\$	KHR'000	US\$
Related parties			
Oknha Dr. Quach Mengly	260,000	1,059,500	160,000
Mengly J. Quach Education	-	-	700,000
	<u>260,000</u>	<u>1,059,500</u>	<u>860,000</u>
Non-related parties			
Individual	170,000	692,750	150,000
Phillip Bank Plc.	638,037	2,600,001	-
Prince Bank Plc.	408,998	1,666,667	-
Rural Development Bank	-	-	64,086
	<u>1,217,035</u>	<u>4,959,418</u>	<u>214,086</u>
	<u>1,477,035</u>	<u>6,018,918</u>	<u>1,074,086</u>

15. OTHER PAYABLES

	2019		2018
	US\$	KHR'000	US\$
Interest payables	13,684	55,762	9,743
Accruals	13,412	54,654	42,690
Unearned income	50,451	205,588	53,184
Other payable	8,933	36,403	2,803
	<u>86,480</u>	<u>352,407</u>	<u>108,420</u>

16. SHARE CAPITAL

	2019		2018	
	Number	US\$	Number	US\$
Ordinary shares of US\$1 each Registered	<u>2,915,766</u>	<u>2,915,766</u>	<u>2,915,766</u>	<u>2,915,766</u>
Registered and issued: At 1 January/31 December	<u>2,915,766</u>	<u>2,915,766</u>	<u>2,915,766</u>	<u>2,915,766</u>
<i>(KHR'000 equivalent)</i>		<u>11,881,746</u>		

The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

17. OTHER CAPITAL

	2019		2018
	US\$	KHR'000	US\$
Oknha Dr. Quach Mengly	179,151	730,040	179,151
PFSA Plc.	10,849	44,210	10,849
	<u>190,000</u>	<u>774,250</u>	<u>190,000</u>

This represents the transferred capital contribution from PFO which had not been sought approval to legalise the share capital from NBC and the MoC.

18. RESERVES

	2019		2018
	US\$	KHR'000	US\$
Regulatory reserve	67,037	273,176	83,801
Other reserves	17,431	71,031	12,876
	<u>84,468</u>	<u>344,207</u>	<u>96,677</u>

Regulatory reserve

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

Other reserves:

Legal reserve

In accordance with the Company's Memorandum and Articles of Association, the Company shall transfer from retained earnings based on the rate of 5% of the current year net profit (after tax) to legal reserve.

Reserve for social development

In accordance with the Company's Memorandum and Articles of Association, the Company shall transfer from retained earnings based on the rate of 1% of the current year net profit (after tax and after deduct 5% for legal reserve) to reserve for social development.

19. INTEREST INCOME

	2019		2018
	US\$	KHR'000	US\$
Loans to customers	925,757	3,772,459	888,491
Deposits and placements with banks	6,262	25,518	1,018
	<u>932,019</u>	<u>3,797,977</u>	<u>889,509</u>

20. INTEREST EXPENSE

	2019		2018
	US\$	KHR'000	US\$
Borrowings from related parties	30,505	124,307	79,899
Borrowings from others	105,918	431,617	30,197
	<u>136,423</u>	<u>555,924</u>	<u>110,096</u>

21. ALLOWANCE FOR CREDIT FACILITIES

	2019		2018
	US\$	KHR'000	US\$
Allowance for doubtful loans	30,899	125,913	-

22. OTHER OPERATING INCOME

	2019		2018
	US\$	KHR'000	US\$
Fee and commission income	9,022	36,765	3,448
Others	6,154	25,077	11,412
	<u>15,176</u>	<u>61,842</u>	<u>14,860</u>

23. PERSONNEL EXPENSES

	2019		2018
	US\$	KHR'000	US\$
Salaries and wages	319,790	1,303,144	308,863
Other employee benefit	117,354	478,218	103,500
	<u>437,144</u>	<u>1,781,362</u>	<u>412,363</u>

24. DEPRECIATION AND AMORTISATION EXPENSES

	2019		2018
	US\$	KHR'000	US\$
Depreciation of property and equipment	39,551	161,170	42,689
Amortisation of intangible assets	7,794	31,761	1,990
	<u>47,345</u>	<u>192,931</u>	<u>44,679</u>

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2019		2018
	US\$	KHR'000	US\$
Business meal and entertainment expense	66	269	365
Communication expenses	7,265	29,605	8,295
Dues and memberships expenses	3,974	16,194	3,717
Fee and commission on borrowing	3,695	15,057	3,566
License fees expense	8,277	33,729	8,233
Motor vehicle operating expense	7,164	29,193	26,967
Printing and stationaries	4,784	19,495	3,339
Professional service and tax expense	51,629	210,388	19,421
Rental expenses	89,688	365,479	81,333
Repairs and maintenance expense	1,432	5,835	3,574
Security expense	5,616	22,885	5,390
Travel expenses	3,032	12,355	2,731
Utilities	12,916	52,633	12,103
Others	29,508	120,245	22,254
	<u>229,046</u>	<u>933,362</u>	<u>201,288</u>

26. TAXATION

	2019		2018
	US\$	KHR'000	US\$
Income tax expense:			
Current year	22,177	90,372	68,328
Over provision in prior year	(27,815)	(113,346)	-
	(5,638)	(22,974)	68,328
Deferred tax expense (Note 13):			
Origination of temporary differences	(4,580)	(18,664)	(11,481)
Total	<u>(10,218)</u>	<u>(41,638)</u>	<u>56,847</u>

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2018: 20%) of the taxable profit or a minimum tax at 1% (2018: 1%) of total revenue, whichever is higher.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Company is as follows:

	2019		2018
	US\$	KHR'000	US\$
Profit before tax	<u>66,338</u>	<u>270,327</u>	<u>135,943</u>
Tax at Cambodian statutory tax rate of 20% (2018: 20%)	13,268	54,066	27,189
Tax effects in respect of:			
Non-allowable expenses	4,329	17,642	29,658
	17,597	71,708	56,847
Over provision in prior years			
- Income tax	(27,815)	(113,346)	-
	<u>(10,218)</u>	<u>(41,638)</u>	<u>56,847</u>

27. DIVIDENDS

	2019		2018	
	Dividend per share US\$	Amount of dividend US\$	Dividend per share US\$	Amount of dividend US\$
First and final dividend paid				
- for financial year ended 31 December 2017	0.016	46,890	-	-
- for financial year ended 31 December 2018	0.016	<u>47,218</u>	-	<u>-</u>
		<u>94,108</u>		<u>-</u>

28. OPERATING LEASE COMMITMENTS

The Company as lessee

The Company had entered into non-cancellable lease agreements for office space, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. At year-end, the Company has outstanding commitments under non-cancellable operating leases that fall due, as follows:

	2019		2018
	US\$	KHR'000	US\$
Not later than one year	172,653	703,561	179,987
Later than one year and not later than five years	509,280	2,075,316	532,670
Later than five years	89,911	366,387	108,000
	<u>771,844</u>	<u>3,145,264</u>	<u>820,657</u>

29. RELATED PARTY DISCLOSURES

- (a) The Company had the following transactions with related parties during the financial period.

	2019		2018
	US\$	KHR'000	US\$
<u>Shareholder</u>			
Oknha Dr. Quach Mengly			
Drawdown of borrowing	260,000	1,059,500	810,000
Repayments of borrowing	160,000	652,000	1,050,000
Interest expense	9,219	37,566	26,469
<u>Common control</u>			
Mengly J. Quach Education			
Drawdown of borrowing	-	-	1,100,000
Repayments of borrowing	700,000	2,852,500	600,000
Interest expense	21,286	86,741	53,430

Balances with related parties at the end of the reporting period are disclosed in Note 14 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

- (b) Compensation of key management personnel

	2019		2018
	US\$	KHR'000	US\$
Directors and key management	<u>112,963</u>	<u>460,324</u>	<u>158,819</u>

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objective is to optimise value creation for its shareholder whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the Company. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

Information on the management of the related exposures is detailed below.

(i) Credit risk

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

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

a. Risk limit control and mitigation policies

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral type secured for loans to customers is collateral pledge over properties (land, building and other properties).

b. Maximum exposure to credit risk before collateral held or other credit enhancements

	Note	2019		2018
		US\$	KHR'000	US\$
Credit exposure relating to assets on the statement of financial position:				
Balances with other banks	8	327,785	1,335,724	44,216
Loans to customers	9	4,226,180	17,221,684	4,178,459
Other receivables	10	162,333	661,507	177,235
		<u>4,716,298</u>	<u>19,218,915</u>	<u>4,399,910</u>

The above table represents a worst case scenario for credit risk exposure to the Company as 31 December 2019, without taking into account any collateral held or other credit enhancements. For assets in the statement of financial position, the exposure set out above is based on net carrying amounts.

c. Repossessed collateral

During the financial year ended 31 December 2019, the Company did not obtain any assets by taking possession of collateral held as security.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk

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

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2019	Weighted average effective interest rate %	Within one year US\$	One to five years US\$	Over five years US\$	Non-interest bearing US\$	Total US\$
Financial assets						
Cash on hand		-	-	-	40,470	40,470
Balances with National Bank of Cambodia:						
Statutory deposits	0.63	145,788	-	-	-	145,788
Current account		-	-	-	1,706	1,706
Balances with other banks	2.50	240,000	-	-	87,785	327,785
Loans to customers	17.90	4,314	4,223,152	-	-	4,227,466
Other receivables		-	-	-	162,333	162,333
		390,102	4,223,152	-	292,294	4,905,548
<i>(KHR '000 equivalent)</i>		<i>1,589,666</i>	<i>17,209,344</i>	<i>-</i>	<i>1,191,098</i>	<i>19,990,108</i>
Financial liabilities						
Other payables		-	-	-	86,480	86,480
Borrowings	9.58	430,000	1,047,035	-	-	1,477,035
		430,000	1,047,035	-	86,480	1,563,515
<i>(KHR '000 equivalent)</i>		<i>1,752,250</i>	<i>4,266,668</i>	<i>-</i>	<i>352,406</i>	<i>6,371,324</i>

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

As at 31 December 2018	Weighted average effective interest rate %	Within one year US\$	One to five years US\$	Over five years US\$	Non-interest bearing US\$	Total US\$
Financial assets						
Cash on hand		-	-	-	38,604	38,604
Balances with National Bank of Cambodia:						
Statutory deposits	0.54	145,788	-	-	-	145,788
Current account		-	-	-	1,216	1,216
Balances with other banks		-	-	-	44,216	44,216
Loans to customers	15.23	12,208	4,169,599	-	-	4,181,807
Other receivables		-	-	-	177,235	177,235
		157,996	4,169,599	-	261,271	4,588,866
Financial liabilities						
Other payables		-	-	-	108,420	108,420
Borrowings	9.02	1,074,086	-	-	-	1,074,086
		1,074,086	-	-	108,420	1,182,506

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Liquidity risk

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

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

	On demand or within one year US\$	One to five years US\$	Over five years US\$	Total US\$
At 31.12.2019				
Other payables	86,480	-	-	86,480
Borrowings	430,000	1,047,035	-	1,477,035
	<u>516,480</u>	<u>1,047,035</u>	<u>-</u>	<u>1,563,515</u>
<i>(KHR'000 equivalent)</i>	<u>2,104,656</u>	<u>4,266,668</u>	<u>-</u>	<u>6,371,324</u>
	On demand or within one year US\$	One to five years US\$	Over five years US\$	Total US\$
At 31.12.2018				
Other payables	108,420	-	-	108,420
Borrowings	1,074,086	-	-	1,074,086
	<u>1,182,506</u>	<u>-</u>	<u>-</u>	<u>1,182,506</u>

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Capital management

The objectives of the Company on managing of capital are to meet the NBC's requirement, continue as a going concern and support the development of the business by maintain strong capital.

The table below summarises the composition of regulatory capital:

	2019		2018
	US\$	KHR'000	US\$
Share capital	2,915,766	11,881,746	2,915,766
Share premium	63,078	257,043	63,078
Other capital	190,000	774,250	190,000
Reserves	84,468	344,207	96,677
Retained earnings	210,294	856,948	215,637
	<u>3,463,606</u>	<u>14,114,194</u>	<u>3,481,158</u>

31. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

32. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. Since this development occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with CIAS 10 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The Company is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Company anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Company during the financial year ending 31 December 2020.

33. EXPLANATION OF TRANSITION TO CIFRS for SMEs

The Company's financial statements for the year ended 31 December 2019 are its first financial statements prepared in accordance with CIFRS for SMEs. The Company's transition date is 1 January 2018 and its opening CIFRS for SMEs statement of financial position was prepared at that date.

To comply with the CIFRS for SMEs, the following changes in accounting policy have been made and applied retrospectively:

(a) Impairment of loans to customers

The Company is required to assess whether there is objective evidence of impairment of any loans to customers. If there is objective evidence of impairment, the Company shall recognise an impairment loss in profit or loss immediately. Previously, the Company's recognise impairment losses of loans to customers based on number of days past due in accordance with the NBC's guidelines.

(b) Transaction costs and interest

A financial asset and liability is recognised initially at the transaction price. Subsequently, they are measured at amortised cost using the effective interest method. Fees and commission income or expenses that are integral part of a financial asset or liability are included in the calculation of the effective interest rate. Previously, fees and commission income or expenses which are integral to a financial asset or liability were not considered as effective interest and are recognised as other income or expense at the date of transactions.

The effect on these changes in above accounting policies has been as follows:

33.1 Reconciliation of statement of financial position at 1 January 2018

	Previously reported US\$	Effect of adoption of CIFRS for SMEs US\$	Restated under CIFRS for SMEs US\$
Loans to customers	3,907,858	76,387	3,984,245
Other receivables	152,848	2,261	155,109
Other payables	(28,459)	(10,928)	(39,387)
Reserves	(6,901)	(76,387)	(83,288)
Retained earnings	(158,597)	8,667	(149,930)

33.2 Reconciliation of statement of financial position at 31 December 2018

	Previously reported US\$	Effect of adoption of CIFRS for SMEs US\$	Restated under CIFRS for SMEs US\$
Balances with other banks	43,774	442	44,216
Loans to customers	4,094,658	83,801	4,178,459
Other receivables	167,465	9,770	177,235
Other payables	(60,812)	(47,608)	(108,420)
Reserves	(12,876)	(83,801)	(96,677)
Retained earnings	(253,033)	37,396	(215,637)

33. EXPLANATION OF TRANSITION TO CIFRS for SMEs (continued)

To comply with the CIFRS for SMEs, the following changes in accounting policy have been made and applied retrospectively: (continued)

33.3 Reconciliation of statement of comprehensive income for the financial year ended 31 December 2018

	Previously reported US\$	Effect of adoption of CIFRS for SMEs US\$	Restated under CIFRS for SMEs US\$
Interest income	(918,680)	29,171	(889,509)
Allowance for doubtful loans	7,714	(7,714)	-
Other operating income	(14,718)	(142)	(14,860)